

**ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN**

**ECONOMIC SURVEY
OF LATIN AMERICA
AND THE CARIBBEAN
1987**



UNITED NATIONS

SANTIAGO, CHILE, 1989

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Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

PART ONE
THE EVOLUTION OF THE
LATIN AMERICAN ECONOMY IN 1987

THE EVOLUTION OF THE LATIN AMERICAN ECONOMY IN 1987

I. INTRODUCTION AND SUMMARY

In 1987 the acute economic crisis in which Latin America and the Caribbean have been plunged since the beginning of the decade worsened. At the same time as the rate of economic growth fell, inflation sped up markedly, and the results achieved by the external sector, albeit more satisfactory, were limited to a very small number of countries (see table 1 and figure 1).

The region's gross domestic product rose by 2.6%, a lower figure than that recorded in the previous three years, and one which represented an increase of barely 0.4% in per capita product. The latter was consequently 5% lower than in 1980—the year preceding the crisis—and equivalent to the figure already attained in 1978.

Moreover, although more evenly distributed than in the previous year, the increase in economic activity was extremely weak in most countries, and per capita product fell in 10 of them. A satisfactory increase in per capita product was achieved only in Chile, Colombia, the Dominican Republic, Peru and Uruguay. Nonetheless, even in these countries with the exceptions of the Dominican Republic and Colombia, per capita product was lower than at the beginning of the decade. Among the countries of the English-speaking Caribbean, per capita output rose in Antigua and Barbuda, Belize, Dominica, Grenada, Jamaica and St. Kitts-Nevis.

The sluggishness which marked economic activity went hand in hand with a pronounced upturn in inflation. The average rate of consumer price increases in the region as a whole, weighted by the population, which had fallen from 275% in 1985 to 65% in 1986, had returned to almost 200% by the end of 1987.

Moreover, the rise in inflation was quite widespread. Consumer prices rose more rapidly than in the previous year in 16 of the 26 economies for which figures are available, and in most of them the increase was considerable. In particular, inflation reached extraordinary levels in Nicaragua (1 339%) and revived sharply in Brazil (366%), Argentina (175%) and Peru (115%). In these last three countries, while the rate of price increases had fallen in 1986, powerful inflationary pressure had built up. Inflation intensified for the third year running in Mexico (159%) and also rose considerably, although from far lower levels, in Venezuela (40%) as a result of which price increases in both countries attained historical highs. Inflation remained high in Uruguay (57%), although a slight downward trend could be discerned; it increased slightly in Ecuador, Colombia, Chile, Barbados and Trinidad and Tobago, and rose rather more sharply in the Dominican Republic. In contrast, there was a clear fall in inflation for the second year running in Bolivia (which in 1985 had experienced the first case of hyperinflation in the history of Latin America), it remained generally stable in the Bahamas, Costa Rica and Paraguay, fell considerably in El Salvador, Guatemala and Jamaica, and remained extremely low in Honduras, Dominica and Panama, while in Grenada and Haiti prices actually fell.

The less vigorous economic growth and the acceleration of inflation coincided with an improvement in external accounts. On account of the recovery of the international price of petroleum, as well as of the upturn in the prices of minerals and other commodities, together with the rapid growth of exports of manufactured goods in a number of countries—and despite the sharp fall in the international price of coffee—the total value of Latin America's external sales of goods rose by 14%. The slight improvement in the terms of trade of the region was of benefit almost exclusively to the oil-exporting countries.

This rise in exports was higher than the 12% increase recorded in the value of imports, and thus resulted in an increase in the trade surplus, which rose from US\$18.3 billion in 1986 to US\$21.6

Figure 1
LATIN AMERICA: MAIN ECONOMIC INDICATORS

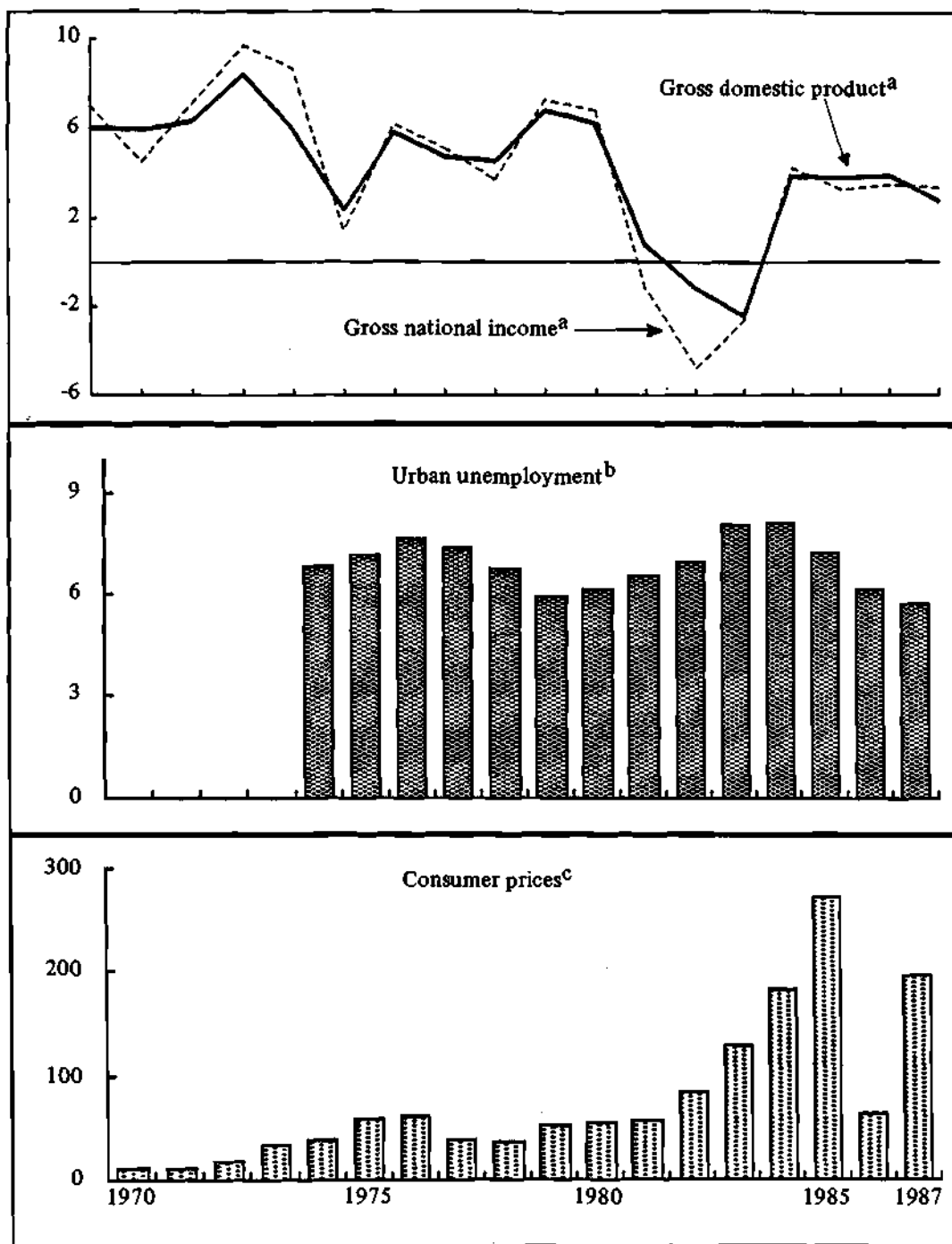
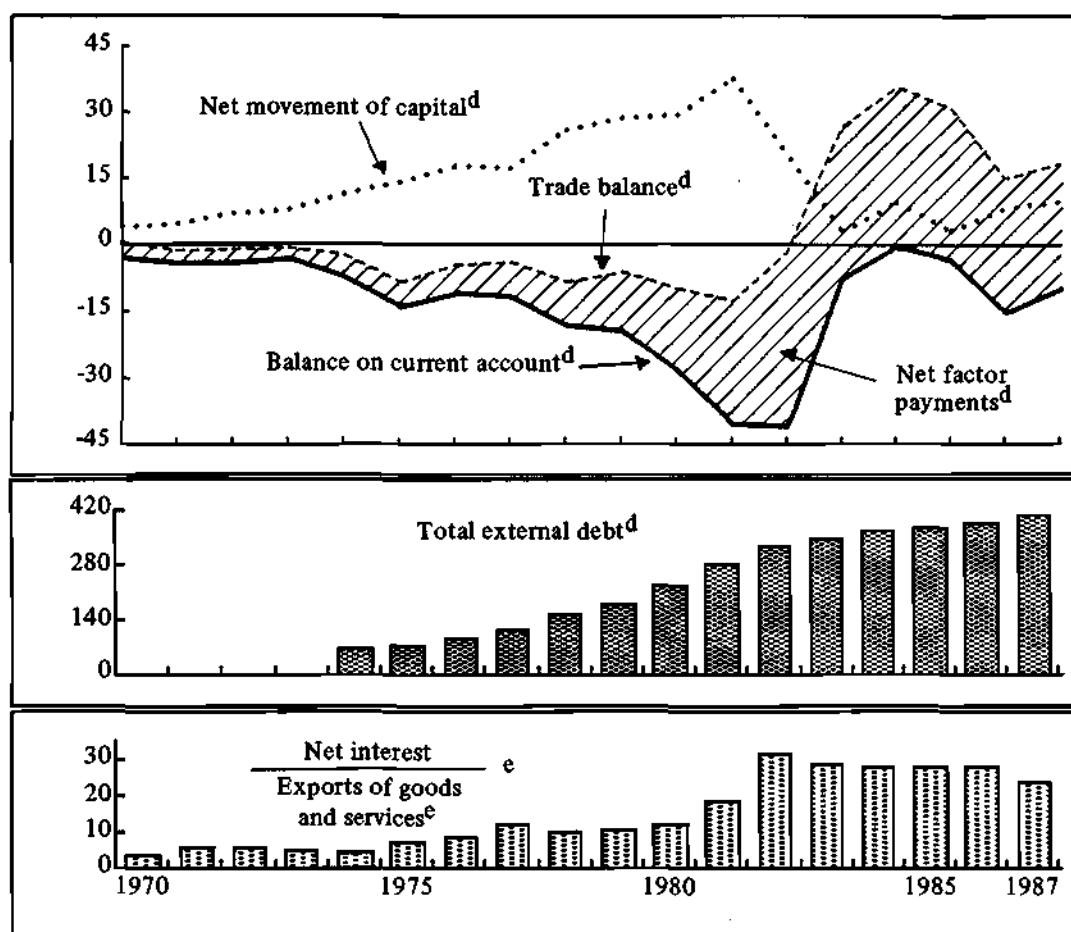


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bWeighted average annual rate for 18 of the 25 largest cities in Latin America.

^cPercentage variation from December to December.

^dBillions of dollars.

^ePercentages.

billion in 1987. This brought an end to the downward trend of the previous two years. Nevertheless, this increase was almost exclusively accounted for by the high increases in the trade surpluses of Mexico, Brazil and Venezuela.

The increase in the trade surplus, together with the slight shrinkage of payments of interest and profits, helped to bring down the balance-of-payments current account deficit to US\$9.8 billion. However, with the sole exception of the US\$15.4 billion deficit recorded in 1986, the 1987 deficit was far higher than those recorded between 1983 and 1985 and thus reflected the limited progress made by the countries' adjustment programmes.

The fall in the current account deficit coincided with an increase in the net capital inflow, which had fallen to an exceptionally low level in 1985. The nominal value of loans and net investment received was, however, equal to less than half that entering the region prior to the onset of the debt crisis, and in real terms represented an even lower proportion. Furthermore, in a number of countries the rise in capital inflows was merely an accounting phenomenon, as this item included the interest that was not paid on account of the moratoriums declared in respect of external debt servicing.

Nevertheless, due to the expansion of net external financing and the simultaneous shrinkage in the current account deficit, a sharp turnaround occurred in the global balance-of-payments result. While this had registered a net deficit of US\$6.3 billion in 1986, in 1987 it showed a surplus of US\$400 million.

On account of the larger inflow of capital and the slight decline in payments of interest and profits, the transfer of resources abroad fell to US\$20 billion. In fact, the real level of transfers was US\$4 billion less than this figure, since a number of countries, such as Brazil and the Dominican Republic, recorded arrears of interest as effectively paid, and reduced their net reserves by a corresponding amount. If this method of calculation is used, the effective transfer in 1987 was more in the region of US\$16 billion, that is to say, a little more than one-half the average level recorded for the period 1983-1985. Nevertheless, the transfer of resources abroad continued to absorb a very significant portion of the value of exports of goods and services and continued to represent a fundamental obstacle to the resumption of a dynamic and sustained process of economic growth.

In 1987, for the fourth year running, Latin America's external debt continued its slow growth, and was calculated to have reached over US\$410 billion at the end of the year. It thus rose by 6%, a higher rate than that recorded in 1986. However, as the rate of inflation in the industrialized countries was approximately 3%, the real expansion of the debt was probably 3%, as against 2% in the previous year. In practice, however, the actual growth of the debt was even less. This is because the value of the United States dollar—in which the external debt is traditionally calculated—fell sharply against the currencies of the other creditor countries, leading to a statistical increase in the dollar figure for commitments in yens and in the main European currencies.

Owing to the slow growth of the debt, the lower level of international interest rates between the middle of 1986 and the middle of 1987 and the recovery in the value of Latin America's exports, indicators of the external debt burden improved against 1986, although they still remained at critical levels. Thus, as the growth rate of the value of exports was more than twice that of the debt, the regional debt/export coefficient fell from 410% in 1986 to 385% in 1987. The shrinkage was considerably more pronounced in the case of the petroleum-exporting countries (from 421% to 367%) than in the other economies in the region (from 406% to 398%). Nevertheless, the coefficients for both groups remained significantly higher than the already high figures recorded in 1982-1985, and approximately 50% above those recorded in 1981 just before the onset of the debt crisis.

In 1987 a significant improvement was also seen in the interest/export ratio. In the region as a whole, this coefficient fell from 36% in 1986 to 30% in 1987. Once again, the fall was more pronounced in the case of the petroleum-exporting countries (from 35% to 28%) than in the other economies of the region (37% to 32%). However, although these coefficients were the lowest recorded since the onset of the debt crisis, they were nevertheless almost double those for 1978-1979. Furthermore, the reversal of the downward trend which characterized international interest rates up to early 1987 suggests that interest payments are likely to increase in 1988, which would entail a rise in the interest/export coefficient.

II. PRODUCTION AND EMPLOYMENT

In 1987 Latin America increased its gross domestic product by 2.6%, which was more than one point less than the rate recorded, on average, during the previous three years. As a result, per capita product rose by barely 0.4% and was 5% lower than in 1980—the year prior to the crisis—and similar to that already attained in 1978.

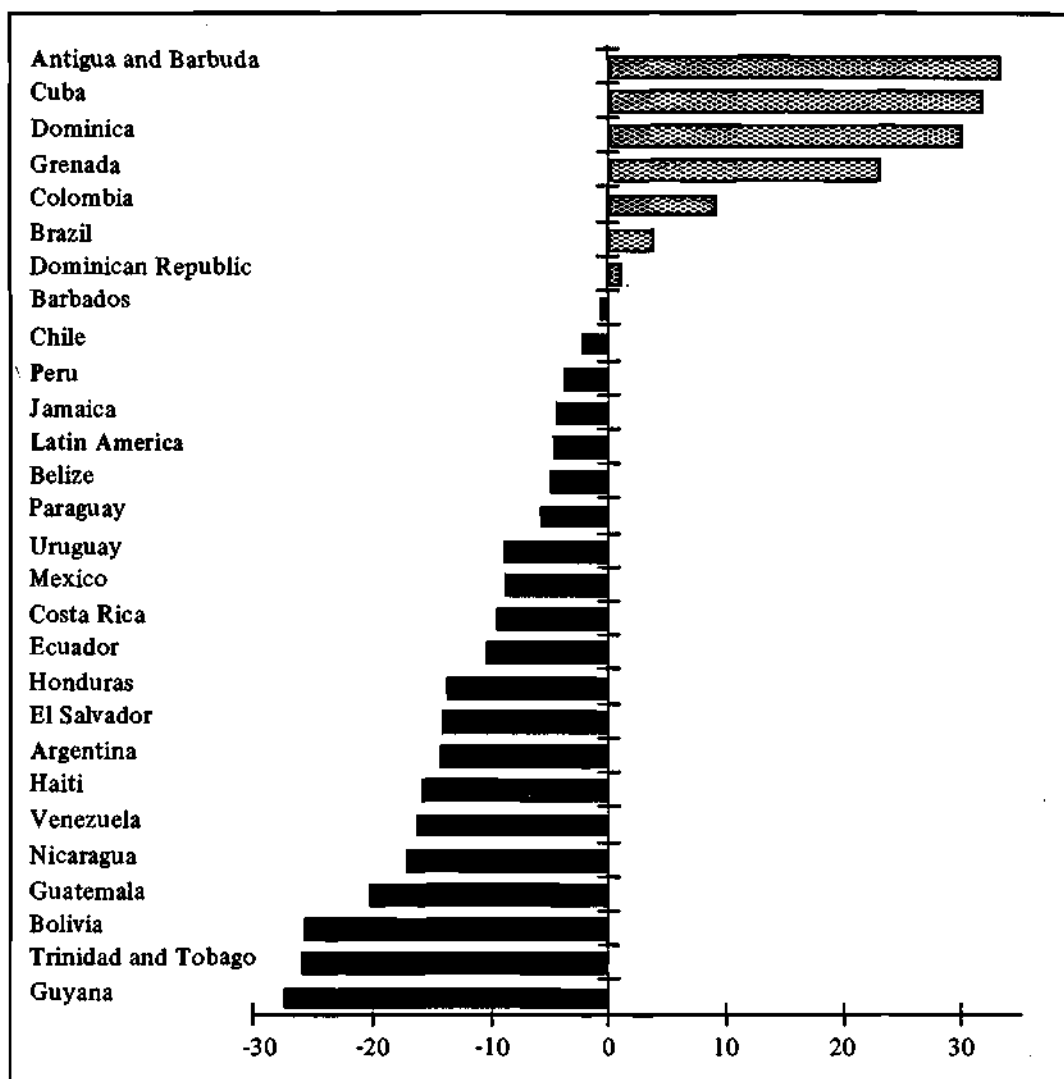
The sluggishness which marked the region as a whole was mainly the result of the sharp fall in the rate of economic growth in Brazil—from more than 8% in 1986 to less than 3% in 1987—and in Argentina, where it fell from 6% to 2%. It was, however, also attributable to the slow growth of most of the region's economies, in 10 of which per capita product again decreased. The only countries in which economic growth surpassed population growth by an appreciable margin were Antigua and Barbuda, Belize, Chile, Colombia, Dominica, Grenada, Jamaica, Peru, St. Kitts-Nevis and Uruguay (see tables 2 and 3).

In 1987 this trend accounted for the continued decline in the standard of living which has been occurring in most of the relatively poorest economies in Latin America and the Caribbean since the beginning of the 1980s. Between 1980 and 1987, per capita product fell by 28% in Guyana, 26% in Bolivia, 21% in Guatemala, 17% in Nicaragua, 16% in Haiti, 14% in El Salvador and Honduras, 11% in Ecuador and 10% in Costa Rica. However, during the same period it also fell sharply in

Figure 2

LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT

(Cumulative percentage variation 1980-1987)



Source: ECLAC, on the basis of official figures.

countries with considerably higher levels of income and development such as Trinidad and Tobago (-26%), Venezuela (-17%), Argentina (-15%) and Mexico (-9%) (see figure 2).

In contrast, the employment situation in the region improved slightly (see tables 4 and 5 and figures 3 and 4). Open unemployment fell substantially in Chile, Colombia, Guatemala and Venezuela, declined moderately in Uruguay, Costa Rica, Paraguay and Mexico, and increased slightly in Argentina, Ecuador, Honduras and Panama, while remaining unchanged in Brazil. The problem of informal employment continues to affect the majority of countries in the region and, although no reliable methodology is available to measure its magnitude, in some countries it is estimated to be nearly 30% of the labour force.

For the second year running Peru achieved one of the highest rates of economic growth in the region. After having risen by 9% in 1986, its gross domestic product rose 6.6% in 1987 on account of

the extremely vigorous expansion (as also occurred the year before) in construction (16%) and manufacturing (12%) (see table 6). As in 1986, the increase in economic activity was stimulated by the extremely rapid growth of private consumption—which rose by more than 10% as a result of the rise in real wages, the increase in employment and the revival of inflationary expectations—and by the expansion of private investment, particularly in housing. In contrast, the sharp fall occurred in capital formation in the public sector, as a result of which the global investment coefficient remained at the low levels recorded in previous years. In addition, for the second year running, the rapid recovery of economic activity considerably sharpened the demand for imports, which was also stimulated by the low real rate of exchange. Due to the sharp rise in external purchases and the scant increase in the value of exports, the trade deficit climbed considerably and international reserves again fell. The rise in domestic demand, together with the exhaustion of the margins of underutilized capacity in a growing number of branches of industry, also contributed to the acceleration of inflation, which had attained an annual rate of 115% by the end of the year. In view of this, and in order to lessen the external disequilibrium, the government raised the exchange rates for exports and imports by between 20% and 80% in mid-December.

The increase in domestic demand—which in this case was headed by an extraordinary expansion of public investment—was also the main cause of the rapid economic growth of the Dominican Republic. Most of the 8% increase in gross domestic product was accounted for by the direct and indirect consequences of the approximately 45% expansion of the construction sector. In turn, this was mainly the result of the twofold increase in government investment, 80% of which was in public works and in hydroelectric projects. However, as in Peru, the rapid growth of economic activity sharpened the country's external disequilibrium and reinforced inflationary pressures, in response to which the government sharply devalued the peso towards the end of the year.

Gross domestic product increased at satisfactory rates for the second year in a row in Colombia, Chile and Uruguay, where economic expansion was also accompanied by the maintenance of a satisfactory external equilibrium and by relatively moderate rates of inflation in the first two countries and by a high but declining rate in Uruguay.

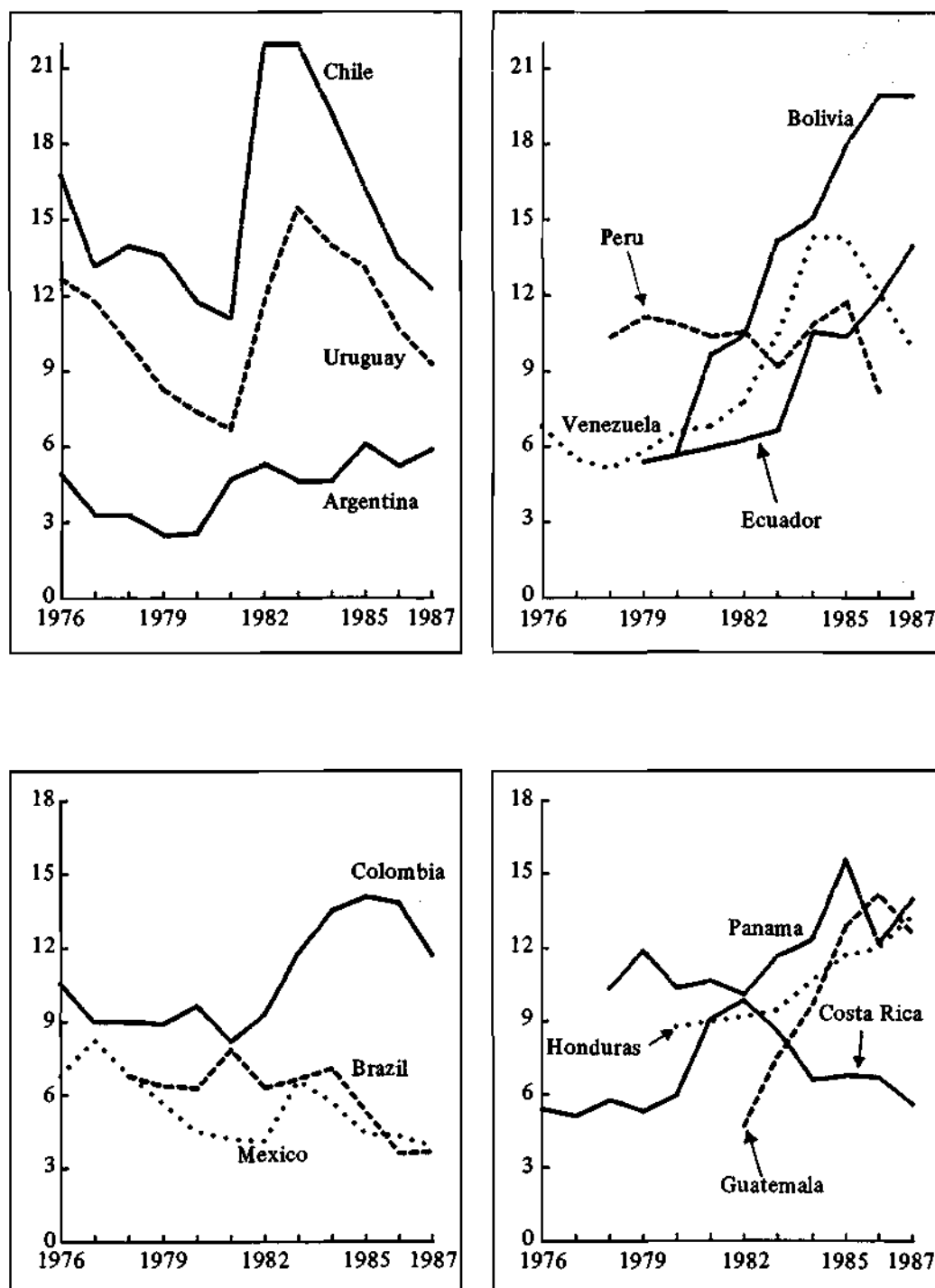
The economic growth achieved in Colombia was particularly significant, since although it was somewhat lower than that recorded the previous year, it was achieved in a year when the international price of coffee fell by more than 40%. The expansion of economic activity was fueled by the growth of industry, construction, agriculture and commerce as well as by the continued vigorous growth of mining, which expanded by 12% after having risen at an average rate of over 20% during the four previous years. The growth trend of the mining sector—mainly based on the considerable increase in the extraction of petroleum and gas as well as of gold, coal and nickel—offset most of the shrinkage in the value of coffee exports and thus decisively contributed to maintaining the external equilibrium. On account of the growth of economic activity, the rate of open unemployment in the main cities continued to fall, dropping steadily from the unprecedented level of almost 15% recorded in mid-1986 to 10% in December (see figures 3 and 4 and table 5).

Following its 5.4% increase in 1986, gross domestic product grew by 5.5% in Chile. This marked the culmination of the recovery of economic activity which had begun in late 1983, and for the first time the product surpassed the level it had reached in 1981, before the debt crisis broke out. Growth was particularly vigorous during the first quarter, when overall production rose by 8%, domestic demand increased even more rapidly and the value of imports was 40% higher than during the same period of the previous year. The sharp acceleration of domestic expenditure—largely stimulated by the excessive growth of means of payment during the closing months of 1986—and the risk which the huge increase in imports represented as regards the maintenance of the country's external equilibrium, led the authorities to adopt a stricter monetary policy and to raise interest rates in March. Largely on account of this, the growth of economic activity fell off in the second quarter. In spite of this, imports continued to expand rapidly. However, the intense expansion of industrial exports together with the unexpected and considerable recovery in the price of copper made it possible to offset the increase in external purchases and to surpass the trade surplus earned in 1986. As in the previous two years, the growth of overall economic activity went hand in hand with a considerable expansion (16%) of fixed capital investment and an increase in productive employment. However, this latter increase was only partly reflected in the fall in the average annual rate of unemployment, since at the same time the number of persons registered in the government's emergency employment programmes was cut by almost half.

Figure 3

LATIN AMERICA: URBAN UNEMPLOYMENT IN SELECTED COUNTRIES

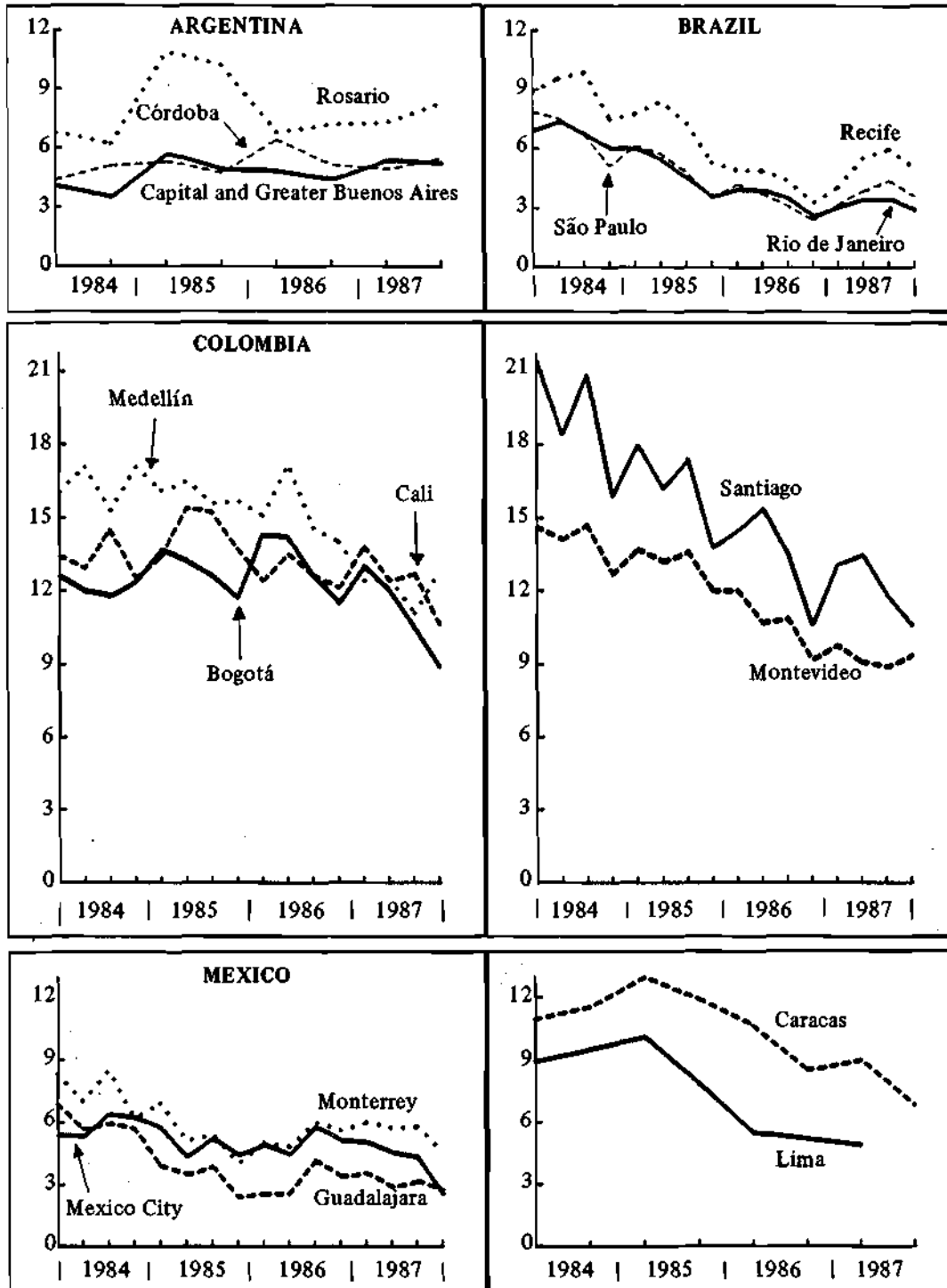
(Annual average rates)



Source: ECLAC, on the basis of official figures.

Figure 4

LATIN AMERICA: UNEMPLOYMENT RATE IN SOME MAJOR CITIES



Source: ECLAC, on the basis of official figures.

The recovery which had begun to take place in the Uruguayan economy during the last quarter of 1985 also continued in 1987, albeit at a slower rate. After having risen by 7.1% the previous year, gross domestic product increased by 5.4%. As in 1986, the most rapid expansion occurred in manufacturing, which once again grew by approximately 11%. Simultaneously, a revival took place in construction —which had fallen by almost 60% over the five previous years— and the decline in the rate of unemployment in Montevideo continued; after reaching a 16% peak at the beginning of 1983, this rate subsequently fell steadily to an average of slightly more than 9% in the last quarter of 1987 (see figure 4).

A marked acceleration took place in economic growth in Jamaica. Gross domestic product —which in 1986 had already begun to recover from the drop of the preceding year— increased by 5.4% in 1987. The growth of manufacturing, mining and electricity consumption, which rose by 11%, 15% and 11.5% respectively during the first nine months of the year, was particularly pronounced. Simultaneously, a marked expansion took place in the production of bananas and non-traditional crops. This, together with the increase of approximately 12% in bauxite production, led to a 15% expansion in the value of exports. The balance-of-payments and economic activity were also strengthened by the increase in the number of tourists, as the number of visitors for the first time exceeded the one-million mark.

A relatively satisfactory expansion of economic activity also took place in Paraguay, where gross domestic product rose by nearly 5%, after having fallen slightly in 1986. This reflected the recovery of crop-farming production —which had been affected by a severe drought the previous year and which in 1987 benefited from the rise in the international prices of soya and cotton— and the approximately 4% growth recorded by manufacturing.

In contrast, the rate of economic growth fell sharply in Brazil and Argentina, where in 1986 the rapid expansion of activity had coincided with a worsening of external trade and the accumulation of strong inflationary pressures. In Brazil, the overall rate of growth fell from slightly more than 8% in 1986 to approximately 3% in 1987, in spite of the sharp reversal of the trend in the agricultural sector, which rose by 14% after having shrunk by 8% the previous year. The loss of dynamism in the economy was thus due to the turnabout seen in urban activities: manufacturing grew by barely 1% after having expanded by more than 11% in 1986, and in construction the 18% rise recorded in 1986 was followed by a fall of almost 4% in 1987. The interruption of the expansionary trend of the economy was principally a consequence of both the spiraling inflation which began in 1986 and which became extremely marked during the first half of 1987 and the policies applied in order to control inflation and to reverse the sudden deterioration in the country's external accounts. The sharp fall in real wages which resulted from the acceleration of inflation, the postponement and reduction of public investment and the unfavourable change in the expectations of economic agents helped to depress domestic demand, a decline which was only partly offset by the considerable expansion of exports. The rate of open unemployment, for its part, remained at the same level as in the previous year.

Economic activity also exhibited less dynamism in Argentina in 1987. After having risen by 6% the previous year and thereby making up for the shrinkage which occurred in 1985, gross domestic product increased by just 2%. The drop in the rate of growth of manufacturing, which completely stagnated after having expanded by almost 13% in 1986, was particularly marked. Economic progress was also restricted by the slow increase in crop-farming production caused by adverse weather conditions and by the dampening effects on the demand for everyday consumer goods of the deterioration in real wages which resulted from the sharp acceleration of inflation.

In spite of the upturn in the international price of petroleum and for widely differing reasons, economic growth was lower than population growth in Mexico, Ecuador and Bolivia, countries which are heavily dependent on exports of hydrocarbons.

In Venezuela, economic growth fell from 6.9% in 1986 to 3%, and consequently per capita product recorded almost no increase. The main cause of the slowdown of the growth rate of the economy was the cutback in petroleum extraction and refining in accordance with the decisions taken by the Organization of Petroleum Exporting Countries (OPEC). For this reason, the product of the petroleum industry fell, completely cancelling out the rise of equal magnitude recorded the previous year. In contrast, in the case of the majority of sectors serving the domestic market —with the exception of construction, whose growth rate dropped from 10% to 4%— production increased at similar rates to those recorded in 1986. Thus, agricultural production rose satisfactorily for the third

year running, under the impetus of the preferential credit policy and of the readjustments made in the prices paid to producers, while industry grew by 3%. On account of the increased level of activity in these sectors, the rate of unemployment again fell, dropping to less than 10% for the first time since 1982.

The growth of economic activity was extremely weak in Mexico, where gross domestic product rose by only 1.4%, after having fallen by 4% in 1986. This inadequate recovery of overall production was in spite of the spectacular turnaround in Mexico's external accounts. As a result of the rise in the international price of petroleum and, above all, of the extremely rapid growth of exports of manufactured goods, the value of external sales of goods rose by 29% and the trade surplus increased from US\$4.6 to US\$8.4 billion. Disbursement of the loans agreed upon with private international banks the previous year and the repatriation of Mexican capital also helped to increase international reserves, which in October attained the unprecedented level of approximately US\$15 billion. However, these changes failed to significantly increase economic activity, which did not begin to show perceptible signs of a revival until the middle of the year and whose progress was held back by the sluggishness of domestic demand. In turn, domestic demand was affected both by the further and considerable real drop in the minimum wage and by the cautious fiscal and monetary policy adopted by the government with a view to avoiding an even greater rise of inflation.

Economic growth was also slow in Bolivia. Nevertheless, the 2.5% increase in gross domestic product brought to an end its uninterrupted decline since 1982. This turnaround was influenced by the recovery of approximately 5% to 6% which took place in manufacturing and in construction, largely as a result of the greater certainty which was one consequence of the sharp reduction in inflation. However, on account of the persistent crisis in mining—which was reflected in the closure of a considerable number of mines—and of the continued reduction in the size of the public sector (a process which the government had embarked upon the previous year in order to eliminate the fiscal deficit), the rate of unemployment remained at around 20%.

In Ecuador, the 7% decline in overall economic activity was mainly attributable to the consequences of the earthquakes which struck the northeastern region of the country at the beginning of March. Prior to that time, it had been estimated that domestic product would grow by approximately 3% and that the recovery of the international price of petroleum would help to ease the difficult balance-of-payments situation and to strengthen public finances. However, these expectations were radically altered by the earthquakes, and by the floods and frosts which affected other areas of the country. In addition to destroying housing, roads and other infrastructure works, the earthquakes caused a 33-kilometre breach in the oil pipeline through which crude oil flowed from the deposits in the eastern zone of the country to the refinery at Esmeraldas on the Pacific coast and destroyed a similar length of the gas pipeline linking the same zone with Quito. As a result, it was necessary to completely suspend production of hydrocarbons until May and to construct a link between the Ecuadorian fields and the Colombian trans-Andean oil pipeline running to Tumaco. Thanks to this linkup, during the three subsequent months it was possible to transport between 30 000 and 50 000 barrels of petroleum per day through Colombian territory, thereby partly satisfying domestic demand for petroleum products. Nevertheless, it has been estimated that in 1987 the production of hydrocarbons fell by approximately 40%, a loss which was not offset either by the considerable progress in the shrimp catch or by the increases of approximately 1% and 1.4% in manufacturing—excluding petroleum refining—and construction, respectively. According to official estimates, the rate of open unemployment rose from 12% to 14%.

Economic activity also declined in Cuba. The tightening of the external financial and trade constraints which the country has been facing for some time led the authorities to adopt strict measures for reducing imports, principally those paid for in freely convertible currencies. On account of this policy and of the severe drought which affected the country, social product fell by 3.5%. A sharp downturn also occurred for the second year running in net investment, and final consumption fell slightly.

The economic trends in other countries of the Caribbean varied widely. Most of them experienced solid growth, particularly Belize, Dominica, Grenada, Jamaica, St. Kitts-Nevis and, most notably, Antigua and Barbuda, whose product increased significantly for the fifth year in a row. In contrast, overall economic activity declined or stagnated in Suriname, Trinidad and Tobago, Haiti and Guyana, with the result that per capita product again fell in these countries (see tables 2 and 3).

The increase in tourism, particularly from European countries, represented a stimulus for the Caribbean economies. However, in a number of them its impact was offset by unfavourable weather conditions such as drought and hurricanes—which particularly affected agricultural production—and by the reduction in the United States sugar quota.

Although in 1987 economic progress in Central America was greater than in the previous year, per capita product again fell in Guatemala and Nicaragua and remained virtually stagnant in Costa Rica, Panama and El Salvador. This disappointing performance was once again partly attributable to the uncertainty arising out of the serious social and political tension in most of the countries of the subregion. The harmful repercussions of this factor were compounded in 1987 by the marked deterioration in the terms of trade of all the countries of the isthmus, mainly on account of the fall in the international price of coffee and the rise in the price of petroleum.

III. TOTAL SUPPLY AND DEMAND AND THE DOMESTIC AVAILABILITY OF GOODS AND SERVICES

Following its 4% rise in 1986, the region's total supply grew by 2.9%. This slower growth was entirely due to the smaller increase in the product, since the volume of imports rose by 5.9%, thereby continuing the recovery begun in 1984 (see table 7).

At the same time, after the decline experienced in 1986 (attributable to Brazil), exports resumed their upward trend, rising by almost 7%. Since their growth rate was slower than that of imports and since the initial level of exports was also lower than the level of imports, the domestic availability of goods and services grew less than both the product and supply (2.2% as against 2.7% and 2.9%, respectively). The domestic availability of goods and services in 1987 was thus only 2% greater than it had been in 1980 and, consequently, in per capita terms, it was 15% less than the 1980 level.

Although the product, total supply and the domestic availability of goods and services have shown little increase during these years of adjustment, their structure has changed significantly. On the one hand—because of both substitution and contraction—the share of imports in the product of the region fell from 17% in 1981 to a little over 11% in 1987, while the share of exports increased from 16% to almost 18% (see table 8). This change was quite widespread. With very few exceptions (Haiti, Nicaragua, Paraguay and Peru), the average levels of imports of goods and services in relation to product during the period 1985-1987 were lower—in most cases substantially so—than the levels recorded for the period 1979-1981. At the same time, in a large number of countries the share of the product represented by exports during the period 1985-1987 was greater than in the period 1979-1981; the export coefficient declined only in a few Central American countries (Guatemala, El Salvador, Honduras and Nicaragua) and in Bolivia, Colombia, Peru and Venezuela (see figure 5).

On the other hand, the use made of domestically available goods also changed drastically, reflecting both the reversal in the direction of the transfer of resources and the countries' worsening terms of trade. Almost all of the burden of this adjustment was shouldered by gross fixed capital formation, which has declined by 6% since 1981 (from 22% to 16%) and has remained at around the latter level since 1983 (see table 8).

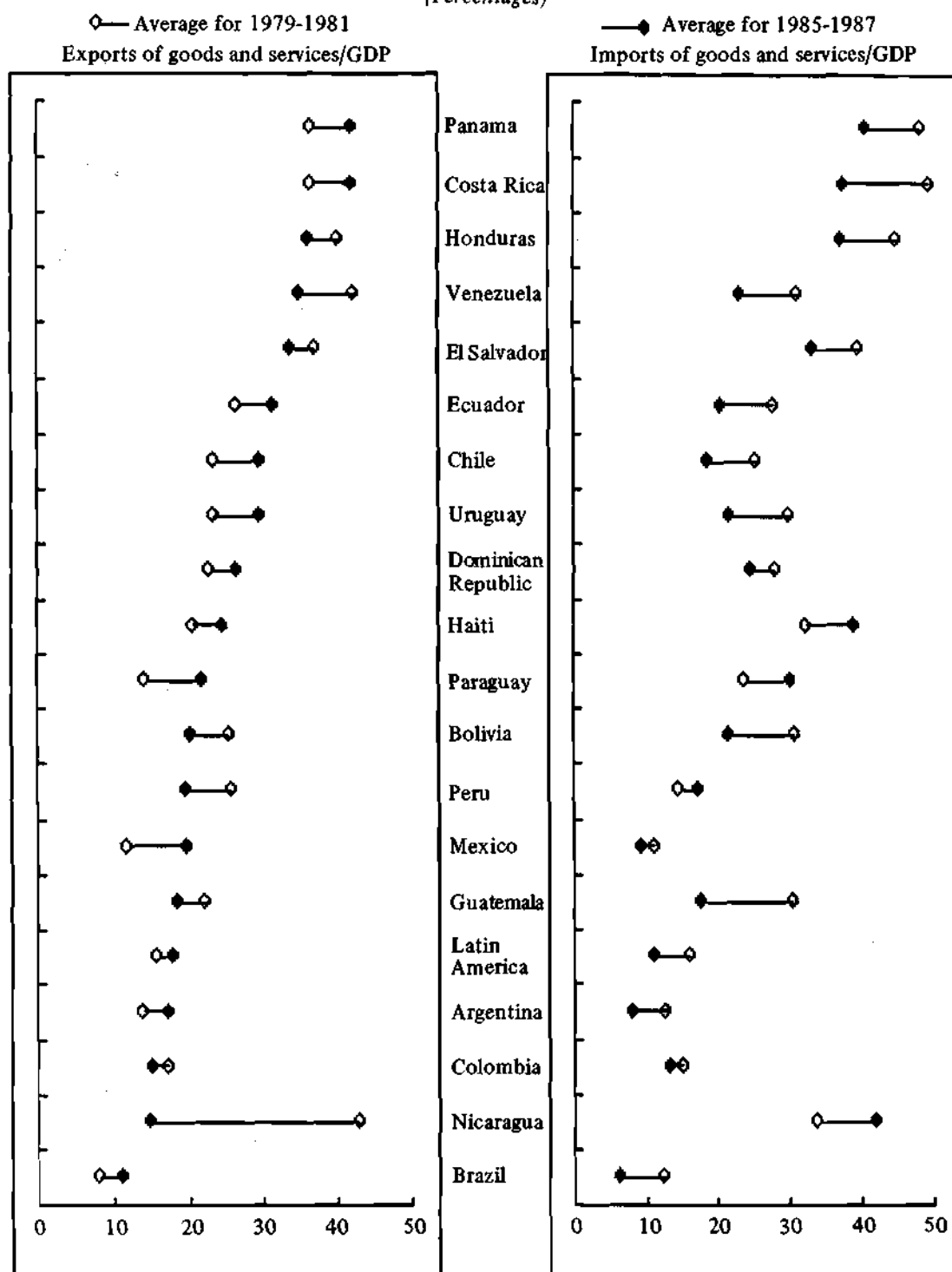
This trend continued in 1987. The average increase in consumption expenditure in the region thus exceeded that of investment (2.4% and 1.6%, respectively). There were, however, marked differences in the trends of investment from one country to another. Indeed, decreases were recorded in five countries, including Brazil and Mexico, while there were increases in the other 14 (see table 9). Despite this, average investment in the region in 1987 was almost 20% less than the 1980 level, which was surpassed in only five countries. The widespread difficulties affecting the countries' processes of capital accumulation were reflected in the fact that in almost all the countries of the region the average investment/product coefficients recorded during the 1979-1981 period were higher than those achieved in the 1985-1987 biennium. Indeed, during this latter period six countries (Argentina, Bolivia, Chile, El Salvador, Guatemala and Uruguay) recorded average gross fixed capital investment coefficients of less than 15% of the product (see figure 6).

These low investment levels in no way reflected a decline in domestic savings. In fact, the share of the product represented by domestic savings was over 23% in 1987, surpassing both its 1986 level

Figure 5

**LATIN AMERICA: COEFFICIENTS OF EXPORTS AND IMPORTS IN
RELATION TO GROSS DOMESTIC PRODUCT^a**

(Percentages)



Source: ECLAC, on the basis of official figures.

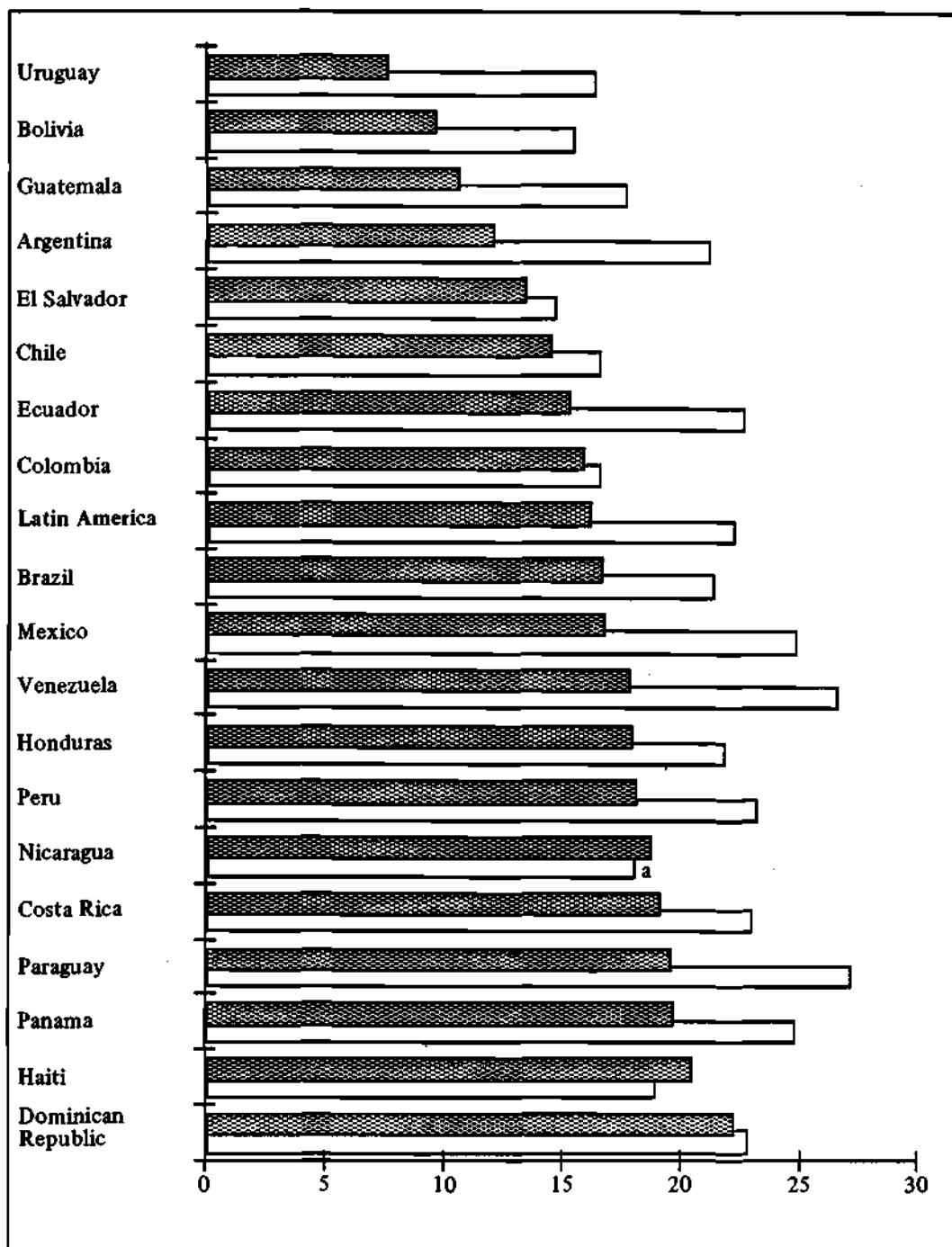
^aArranged according to export coefficients for the period 1985-1987.

Figure 6

**LATIN AMERICA: COEFFICIENT OF GROSS FIXED CAPITAL INVESTMENT
IN RELATION TO GROSS DOMESTIC PRODUCT**

(Percentages)

□ Average 1979-1981 ▨ Average 1985-1987



Source: ECLAC, on the basis of official figures.

^aAverage for 1980-1981. The year 1979 was excluded owing to the sharp drop in investment during that year.

and its pre-crisis level (see table 10). Instead, the existence of low levels of investment despite high rates of domestic savings was due to the reversed direction of the transfer of resources and to the loss of income stemming from the deterioration of the terms of trade since 1980.

In 1987, the region's net transfer of resources abroad (net factor payments minus external savings) continued to represent 2.5% of the regional product; although the net payment of interest and profits declined for the third year running, it still represented almost 4% of the regional product, and external savings, which in 1986 had exceeded 2% of the product for the first time in four years, declined in 1987 to 1.4% of the product. Furthermore, the effect of the deterioration in the terms of trade resulted in a decline —from the 1980 figure— of more than 4% of the product. In real terms, domestic savings continued to exceed investments by 40%, and this difference was channelled abroad through the net transfer of resources and through the unfavourable terms of trade.

IV. PRICES AND WAGES

A strong resurgence of inflation took place in Latin America in 1987: the average rate of consumer price increases weighted by the population, which had fallen from 275% in 1985 to 65% in 1986, rose to almost 200% in 1987.

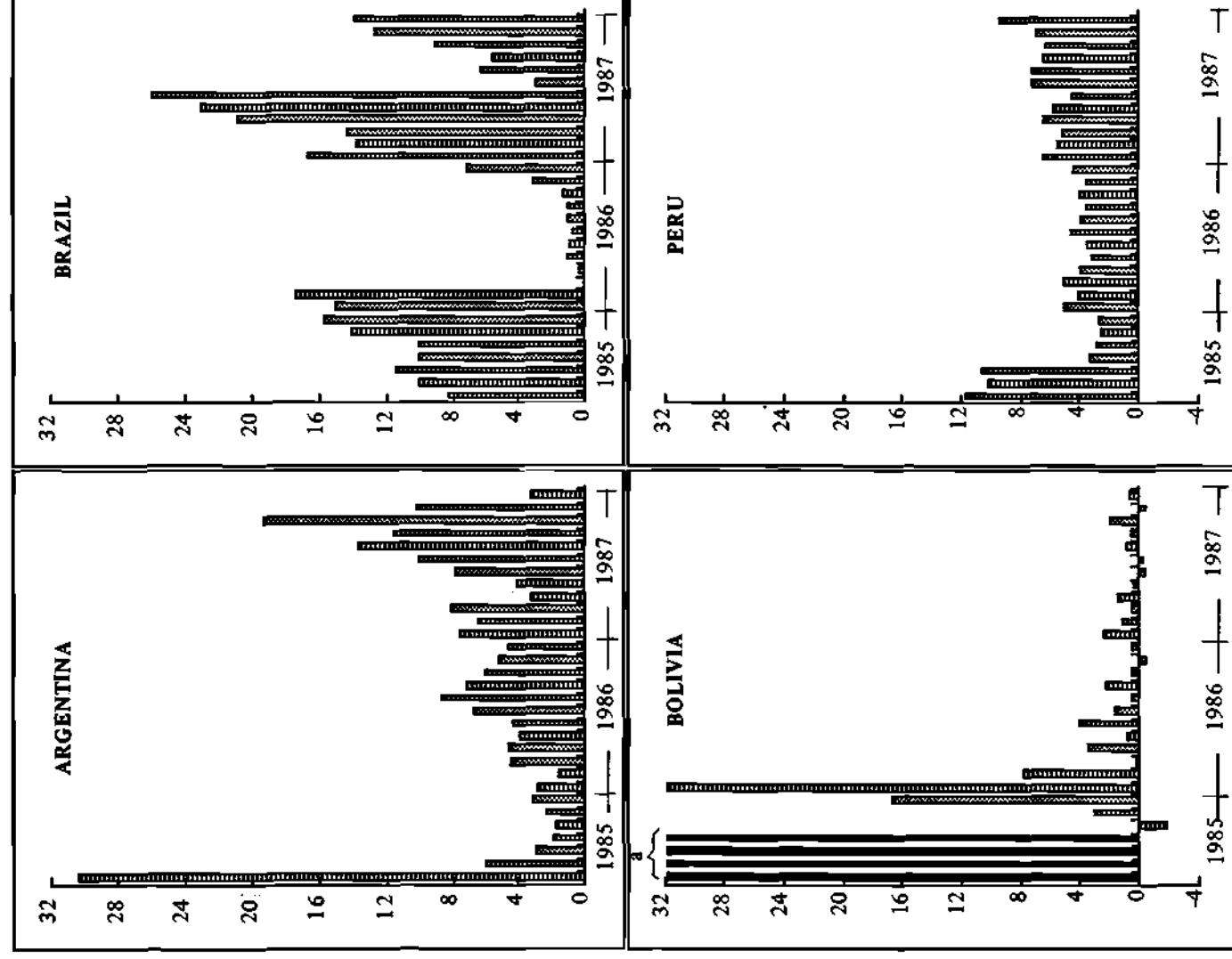
The upturn in inflation was also fairly widespread. Consumer prices rose more rapidly than during the previous year in 16 out of the 26 economies for which data are available, and the rise was considerable in most of them (see table 11). In particular, inflation reached extraordinary levels in Nicaragua —which in 1986 had already experienced the fastest price rises in the region— and also in Brazil, Argentina and Peru where, on the contrary, inflation had fallen sharply the previous year. Inflation worsened for the third year running in Mexico and rose sharply, although from much lower levels, in Venezuela, as a result of which price rises in both countries reached all-time highs. Inflation remained very high in Uruguay (although a slight but regular downward trend could be observed), rose slightly in Ecuador, Colombia, Chile, Barbados and Trinidad and Tobago, and rather more sharply in the Dominican Republic. In contrast, inflation fell considerably for the second year in a row in Bolivia —which in 1985 had experienced the first case of hyperinflation in the history of Latin America—, remained basically stable in Paraguay, Costa Rica and the Bahamas, fell for the second year running in El Salvador and Guatemala and for the third consecutive year in Jamaica, and remained very low in Honduras, Dominica and Panama. In Grenada and Haiti prices actually fell.

As in the two previous years, inflation rose sharply in Nicaragua. After having climbed from 50% in 1984 to 343% in 1985 and to 747% in 1986, consumer prices rose by almost 1 340% in 1987. The exacerbation of inflation was partly attributable to the considerable rises in the exchange rate, which, together with the new import taxes, led to a sharp increase in the price of imported goods, as well as to the large and repeated readjustments of the price of petrol —which rose from 180 córdobas per gallon in June to 4 000 córdobas in November— and to the rapid expansion of issues required to finance the fiscal and quasi-fiscal public-sector deficit. The reduction of this deficit was hampered, among other things, by the inflexibility of fiscal expenditure owing to defence-related requirements.

A sharp upturn in inflation also occurred in Brazil, where the annual rate of consumer price increases rose sixfold, from 58% in 1986 to 366% in 1987, the highest level ever recorded in the country. The increase was particularly marked during the first half of the year, when monthly price variations climbed almost continually culminating in a 26% rise in June. This trend was interrupted during the third quarter —when consumer prices rose at an average monthly rate of approximately 5%— but was resumed in the closing months of the year (see figures 7 and 8).

The acceleration of inflation during the first half of the year was due to the fact that it became impossible to continue to stave off the repercussions of the huge expansion in demand generated by the Plan Cruzado in 1986. The price controls introduced by the Plan were accompanied by a strong stimulus to domestic expenditure which helped to bring about relatively widespread supply shortages and gave producers strong incentives to bypass official price controls. As a result, the suppressed inflation present up to November 1986 suddenly surfaced as open inflation in December, and above all, in the opening months of 1987. The sharp rise in inflation obliged the authorities to readjust interest rates, the rate of exchange and rates for public services and to reintroduce the indexation

Figure 7
MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX
OF ARGENTINA, BRAZIL, BOLIVIA AND PERU
(Percentages)



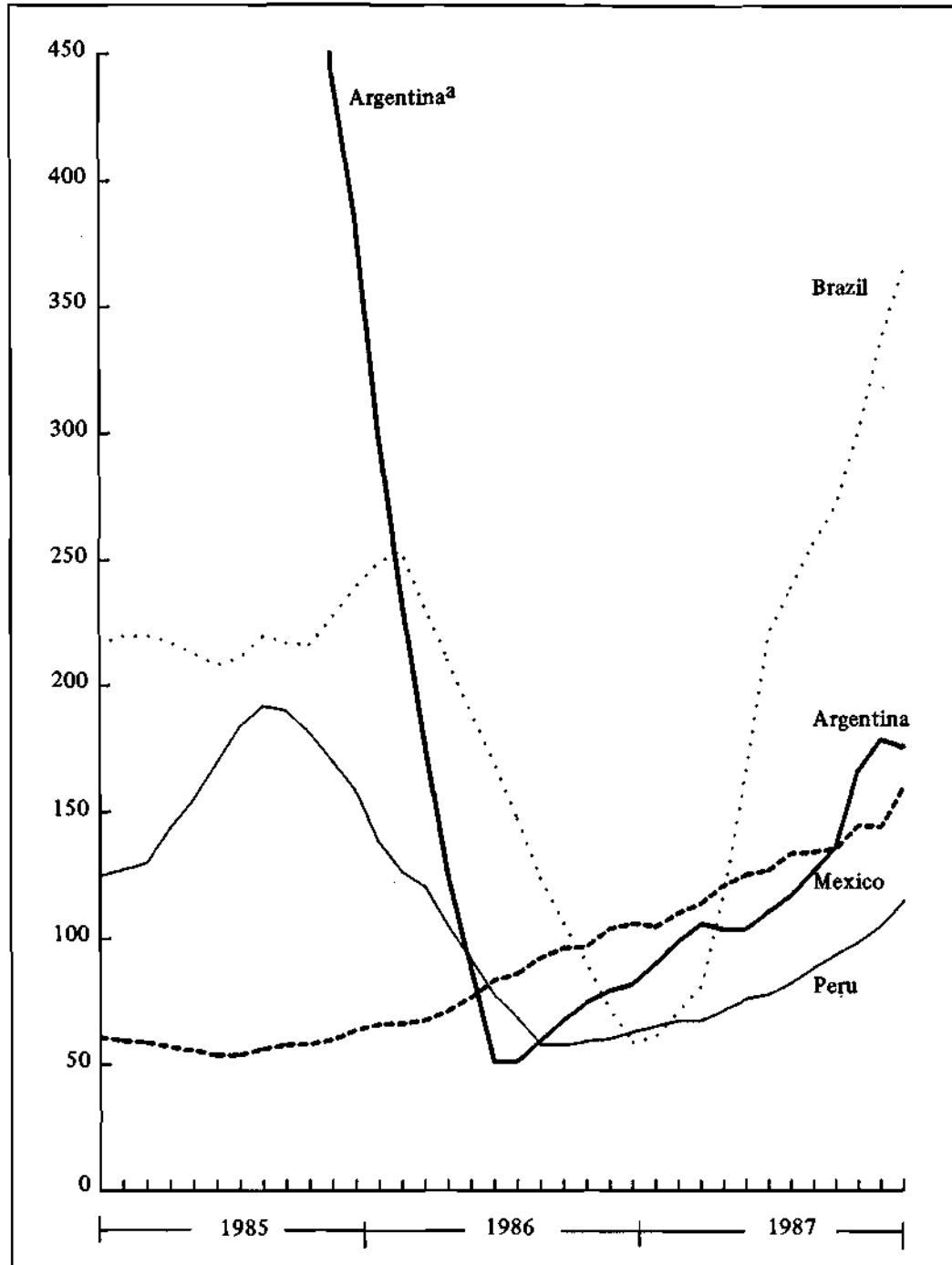
Source: ECLAC, on the basis of official figures.

a Monthly variations in 1985 were 78.5% in June, 66.3% in July, 66.5% in August and 56.5% in September.

Figure 8

**LATIN AMERICA: TWELVE-MONTH VARIATIONS IN THE
CONSUMER PRICE INDEX OF SELECTED COUNTRIES**

(Percentages)



Source: ECLAC, on the basis of official figures.

^aExcludes the period January–October 1985, during which inflation soared from 776.3% in January to an all-time high of 1 129% in June, after which it gradually declined.

mechanisms which the Plan Cruzado had eliminated. For the first time this also triggered the mechanism for automatic wage readjustments, which, in accordance with the Plan, had to be awarded whenever the cumulative inflation rate reached 20%.

In response to the loss of control over inflation as well as to the serious and simultaneous deterioration in the country's external accounts, the government abandoned the Plan Cruzado in February and freed almost all prices with a view to absorbing excess demand and correcting the serious distortions existing within the price system. However, the revival of inflationary expectations resulting from these measures and the effects of the proliferation of indexation mechanisms brought the monthly rate of consumer price increases to 23% in the second quarter, a far higher figure than that recorded before the application of the Plan Cruzado in March 1986.

Consequently, towards the middle of June the authorities announced a new emergency stabilization programme involving a combination of a price freeze and initial adjustments in the exchange rate, the charges for public-sector services and the prices of certain key products, together with a stricter management of aggregate demand. Simultaneously, with a view to bringing down the projected public-sector operating deficit for 1987 from over 6% of gross domestic product to 3.5%, public investments were postponed or reduced, major subsidies were eliminated and institutional reforms designed to achieve greater control over government expenditure and credit were announced. Finally —and in contrast with the Plan Cruzado, which had initially increased real wages by 8%— the new programme froze remunerations at the low levels to which they had fallen in May.

These measures resulted in a significant downturn in inflation during the third quarter. Nevertheless, it revived vigorously when the freeze came to an end, and consumer prices rose by over 9% in October, by almost 13% in November and by 14% in December. This resurgence of inflation was attributable to: the rises in the prices of a large number of goods and services which occurred when the price policy became more flexible; the increase in the relative prices of energy and of certain foods as a result of the reduction in State subsidies; the fall in government revenue as a result of the tax exemptions granted in order to hold back or limit increases in certain prices; and finally, the readjustments in the wages of some groups of civil servants and the consequent expansion of the public-sector operating deficit by a greater amount than projected.

On account of the increase in inflation and, to a lesser extent, of the loss of dynamism of industrial activity, real average remunerations fell so sharply in the manufacturing sector that by the third quarter they had dropped to their pre-Plan Cruzado level. Simultaneously, the purchasing power of the minimum wage shrank by 18%, and thereby fell to its lowest level of the last 10 years (see tables 12 and 13).

Inflation also rose sharply in Argentina, marking a turnaround in the sharp fall which had occurred in inflation between the middle of 1985 and the beginning of 1986 as a result of the implementation of the Plan Austral. Indeed, the 175% increase in consumer prices registered in 1987 was almost double the 82% recorded the previous year. However, and in contrast with the case of Brazil, inflation in 1987 was considerably lower than in the 1982-1985 period (see table 11 and figures 7 and 8).

The upsurge in inflation was already clearly apparent in the third quarter of 1986, when consumer prices rose at a monthly rate of over 7%. In order to check this, the government reinforced its income policy and adopted a stricter monetary policy. These measures helped to reduce monthly variations in inflation towards the end of the year, but sparked off a sharp rise in the real rate of interest and a fall in the growth rate of the product.

In early 1987, inflationary expectations were reinforced by the considerable rises in the prices of a number of goods, such as meat, vegetables and fruit, which have a considerable impact on the general consumer price index as well as by the widening gap between the official price of the dollar and its price on the parallel market as a result of the deterioration of external accounts. As a result, the monthly variations in consumer prices again rose, and remained in the vicinity of 7% during the first quarter.

In order to prevent these increases from sparking off a constant rise in the rate of inflation through indexation mechanisms and economic agents' expectations, at the end of February the authorities ordered a further three-month freeze of prices and wages. Simultaneously, the rate of exchange was increased and the regulated interest rate was lowered. While price rises slowed down in April and May as a result of these measures, inflation again gathered speed in June. The government

was thus faced with a dilemma inasmuch as the country's fiscal and external disequilibria called for an adjustment of the exchange rate and of the charges for public services, at a time when the mechanisms propagating inflation appeared to be operating forcefully once again and the real price of meat was undergoing a seasonal increase. Thus, in July, the consumer price index rose by two digits for the first time in two years (see figure 7).

The resurgence of inflation became more pronounced in subsequent months. Although the price of meat ceased to increase, efforts to raise the rates of public services and the exchange rate led to intense cost pressure and further rises in prices. This gave the impression that inflation was running out of control, and, together with the expectations of a new freeze, this conviction led to anticipatory price markups. Simultaneously, the government sped up both the rate of devaluation of the austral and of increase in the rates for public services considerably. Thus, in October, the rise in consumer prices was almost 20% while the increase in wholesale prices exceeded 30%.

Given these circumstances, in October the government announced a package of measures designed to bring down inflation and reduce the external-sector disequilibrium. The measures included an initial 12% readjustment of wages and a 15% in the rates for public services and a subsequent freeze of both for a period of 90 days. In addition, the austral was heavily devalued and a dual exchange market established, with a free market for financial operations; a tax reform was carried out in an effort to increase fiscal revenue by 4% of gross domestic product through the introduction of additional taxes of 5% on imports and of 45% on cigarettes, together with an increase in taxes on real estate and income and a sharp increase in the prices of petrol, while controlled rates of interest were eliminated in order to reduce the subsidies granted by the Central Bank.

As a result of these measures, the rate of price increases fell in November and, above all, in December. The minimum wage therefore rose by 10%, while average real wages did not recover from the losses suffered during the year, and declined by 6%.

In 1987 a reversal also occurred in the previous year's downward trend of inflation in Peru. After having fallen from almost 160% in 1985 to slightly more than 60% in 1986, the annual variation in consumer prices was 115% in 1987.

The sustained rise of inflation mainly reflected the repercussions of the further considerable expansion in domestic demand caused by the growing fiscal deficit, the rapid rise in the money supply and wage increases. Under such conditions, official price controls gradually became ineffective, particularly in the ever-growing number of branches of industry which were having difficulties in increasing their output on account of the gradual exhaustion of their underutilized capacity. Price rises were also stimulated by wage readjustments; by the rise in the average exchange rate (resulting from the mini-devaluations carried out during the first half of the year, the 25% devaluation ordered in September and the gradual transfer of certain exports and imports to those segments of the exchange market which had higher parities); by increases in the selective excise tax and in the customs duties applied to certain imports; and by the revival of the inflationary expectations of economic agents.

In spite of the increase in inflation, thanks to the growth of economic activity as well as to the increased frequency and size of wage and salary readjustments, the purchasing power of private-sector wages in Lima rose by almost 5% after having grown by approximately 24% the previous year, thus surpassing the level attained at the beginning of the decade (see table 12).

In 1987 inflation reached an all-time high in Mexico. Despite the government's efforts to bring it down from the 106% figure recorded in 1986 to 80% in 1987, the annual rate of consumer price increases rose both continually and rapidly, reaching almost 160% by the end of the year (see figure 8).

This upsurge in inflation was influenced by the aggressive policy that was applied for budgetary reasons to public-sector prices and rates which led to a sharp rise in the prices of its goods and services, and in particular, in that of petrol. Another factor was the delayed impact of the exchange policy — which until March provided for a devaluation of the peso at an even faster rate than that of inflation, with the inevitable repercussions on the prices of internationally tradeable goods. The surge in inflation was also compounded by the rises in nominal wages — which were readjusted more frequently than in previous years — and by the strengthening of inflationary expectations, which intensified in particular following the October stock market collapse and the sharp devaluation of the peso on the parallel market in November. As a result of the surge in inflation and despite the more

frequent readjustment of the minimum wage than in previous years, the purchasing power of the latter underwent a further and considerable decline, with the cumulative decrease totalling 40% so far during the present decade.

In view of this situation, towards the middle of December the government initiated a new stabilization programme designed to control the spiralling inflation by means of an "Economic Solidarity Pact" involving workers, peasants and entrepreneurs. The plan included a rise in the exchange rate in the regulated market from 1 800 to 2 200 pesos to the dollar, a 15% wage readjustment, measures to liberalize foreign trade, a reduction of the maximum duty on imports from 40% to 20%, and considerable increases in the prices and charges for goods and services produced by State enterprises, with a view to reducing the public-sector deficit. Thus, the prices of petrol, fuels, liquified gas and electricity rose by 85%, those of sugar and fertilizers by approximately 80% and air and rail transport by some 20%. In conjunction with these increases, the government decreed that prices would remain frozen in January and February 1988 and announced that wages would be increased by a further 20% in January and that they would be readjusted each month from March onward, so long as monthly inflation remained above 2%.

Although inflation was far lower than in the countries just mentioned, it reached unusually high levels in Venezuela. In fact, the 40% increase in consumer prices recorded in 1987 was not only well over treble that recorded in 1986, but was also the highest ever recorded in the country.

The sudden rise in inflation was largely attributable to the maxi-devaluation of the bolívar in December 1986, which represented a 93% rise in the official rate of exchange. As a result of this and of the readjustments of the prices of essential goods such as food, transport and electricity, as well as of the inflationary impact of the elimination of the preferential exchange rate previously applied to imports of various basic goods and certain consumer goods, inflation rose progressively, to the point where consumer price increases reached a level of over 4% in May, June and July.

In order to check this trend, and following a fruitless attempt to freeze prices, in September a system of control covering three groups of products was introduced. The first of these was made up of 43 goods defined as "essential", whose prices were tightly controlled and could only be increased with the authorization of a tripartite commission made up of representatives of the government, entrepreneurs and labour unions. The second included most inputs and consumer goods, whose prices could only be increased with the permission of the Ministry of Finance, provided the increase was requested at least 60 days, in advance. Finally, the prices of the remaining goods subject to control could be set "freely", but notice of any increase had to be given at least 30 days in advance.

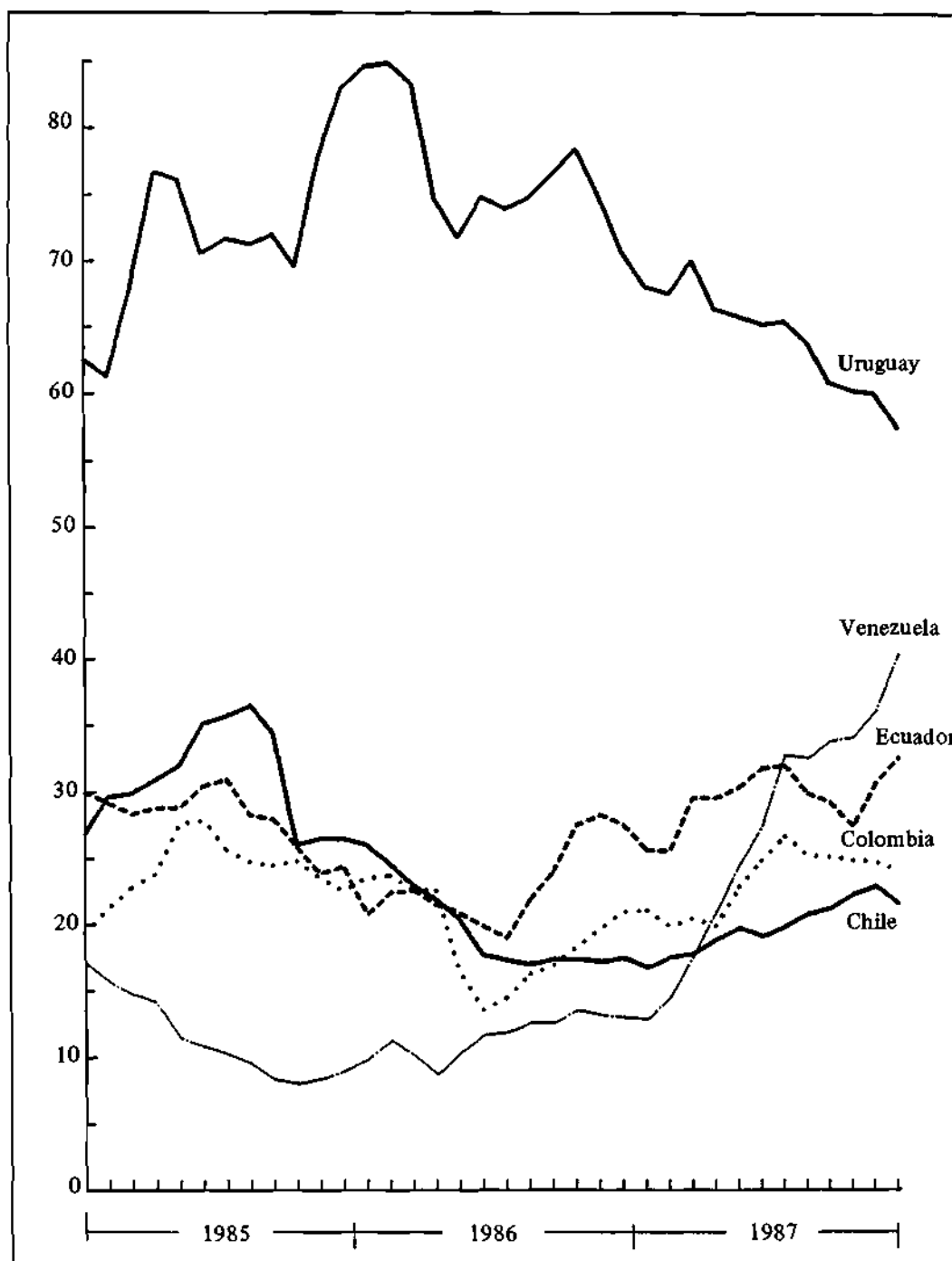
As a result of these measures and of the implementation as from May of an extremely restrictive monetary policy, monthly price variations declined from August onwards. However, they remained higher than those recorded during the same months of the previous year, and consequently the annual rate of inflation continued to rise throughout the last four months of the year (see figure 9). Consequently, on 16 December the government implemented an indefinite freeze on the prices of all goods and services produced by the public sector.

In 1987 a moderate increase occurred in the rate of consumer price rises in Ecuador and Colombia, where inflation had followed a similar trend during the previous two years (see figure 9).

In Ecuador, the increase in inflation from 27% in 1986 to 33% in 1987 was mainly attributable to the impact of the earthquakes which struck the north-eastern zone of the country at the beginning of March. On account of the earthquakes, together with the floods and frosts which affected other areas of the country, the supply of certain foods shrank and their prices rose in consequence. Moreover, in order to offset the loss of revenue sustained by the public sector as a result of the interruption of petroleum exports, the government raised the price of petrol by 80% and readjusted public transport rates. The temporary suspension of external sales of hydrocarbons also contributed towards increasing the rate of exchange, thereby causing the domestic prices of internationally tradeable goods to climb. The inflationary impact of these changes was partly offset by a restrictive wage policy—which led to a real shrinkage of 6% in the minimum wage—and by the authorities' control of issues.

Inflation also rose slightly in Colombia (from 21% to 24%). A decisive factor in this respect was the far less satisfactory trend in the prices of agricultural products in 1987. While these had fallen in absolute terms towards the middle of the preceding year on account both of the increase in harvests and of the considerable contraband trade in agricultural products from Venezuela, they rose sharply

Figure 9
**LATIN AMERICA: TWELVE-MONTH VARIATIONS IN THE
 CONSUMER PRICE INDEX OF SELECTED COUNTRIES**
(Percentages)



Source: ECLAC, on the basis of official figures.

during the first half of 1987 due to the drop in agricultural production caused by the shortage of rainfall during the first four months of the year. Mainly for this reason, the annual rate of inflation climbed rapidly until July. However, subsequently it gradually declined as the supply of agricultural products reached normal levels and also because the government slowed down the increase of the exchange rate. As a result of the surge in inflation and despite the rapid growth of production and employment, both the minimum wage—which is generally readjusted annually in accordance with the previous year's inflation rate—and average wages in manufacturing declined slightly (see tables 12 and 13).

In 1987 the regular downward trend of inflation in both Chile and the Dominican Republic observed since the middle of 1985 came to an end.

In Chile, after having fallen to less than 17% in January, the annual rate of consumer price increases rose persistently until November, reaching 22% by the end of the year. The resurgence of inflation was influenced, particularly towards the beginning of the year, by the marked increase in domestic expenditure resulting from the excessive growth of the means of payment during the closing months of 1986. Inflationary pressure originating from the sharp increase in demand was intensified by the effects of the recovery in the international price of petroleum and by the fall in the supply of agricultural products on account of the storms and floods which affected the country's central region in July and August. Due to these factors, as well as to the lag with which changes in monetary variables are generally felt, the rate of inflation continued to rise gradually until November, in spite of the restrictive monetary policy which the government began to apply as of April, the improvement in the fiscal situation, the virtually total stability of real average wages and the marked decline which occurred for the fifth consecutive year in the real value of minimum wages. However, the effects of these measures began to be felt in December, when consumer prices increased by only 0.3% and wholesale prices fell by 5.6%.

The downward trend in inflation came to an even more abrupt halt in the Dominican Republic, where the annual variation of consumer prices, which had fallen from 48% to less than 5% between March 1985 and January 1987, rose persistently during the following months, reaching 25% by the end of the year. One of the principal causes of the resurgence of inflation was the delayed impact of the sharp growth in the money supply observed at the end of the previous year. The inflationary repercussions of this increase were aggravated by those resulting from the huge expansion of construction, by the increase in the international price of petroleum, by the rise in the prices of imports resulting from the exchange controls introduced at the middle of the year and by the rise in exchange rates.

Of the 10 countries which saw a decline in inflation in 1987, the most remarkable case was that of Bolivia, where prices rose by less than 11%, in contrast to the annual rate of 66% registered at the end of 1986 and the astronomical rate of over 23 000% recorded in September 1985 (see figure 7). As in the preceding year, two factors that played a decisive role in this improvement were the austerity with which the fiscal policy was managed and the stability that was achieved on the exchange market. Indeed, during the first half of 1987, the government closed its accounts with a surplus. This result was due to, the strict control of public expenditure and to the increased tax receipts resulting from the implementation of the tax reform adopted the previous year (which included the introduction of a value added tax) as well as to the favourable effect of the downturn in inflation itself on the real value of the taxes collected. The fiscal stability achieved freed the Central Bank from the need to finance the government deficit and restored autonomy to monetary policy. The authorities were thus able to cut the growth rates of issues and of the money supply so drastically that during the first half of the year they grew by barely 4% and 7% respectively. This in turn helped to maintain a stable exchange rate both on the official and parallel markets, and inflationary expectations lessened accordingly.

Inflation also fell for the second year running in Uruguay. However, on account of the gradual nature of the drop, inflation in 1987 was still 57% (see figure 9). As a result of this decline, wages increased for the third year running and approached their 1980 levels. In El Salvador, and above all, in Guatemala—countries where, in the past, price fluctuations had been among the lowest in the region, but which had experienced unusually high levels of inflation in 1985 and 1986—inflation declined sharply (see figure 10). In Jamaica, the rate of inflation decreased for the third year in a row, and the annual variation in consumer prices was below 7% in 1987. Finally, inflation remained very low in the Bahamas, Barbados and particularly in Dominica, Honduras and Panama, where domestic price increases have traditionally fluctuated in line with changes in international inflation (see table 11).

V. THE EXTERNAL SECTOR

1. External trade and the terms of trade

Following the sharp declines which occurred during the previous two years, the value of exports of goods rose by 14% as the result of a 7% rise in their unit value and a 6.5% increase in the volume exported (see table 14).

The increase of exports was due in particular to the higher external sales achieved by Mexico —where they rose by 29% owing to the upturn in the international price of petroleum and the intense growth which occurred for the second year running in exports of manufactured goods (see table 15 and figure 11); by Chile —where they increased by 24% on account of the vigorous expansion of sales of industrial goods and the sharp rise in the price of copper; by Venezuela —where they rose by 22% thanks to the increase in the price of petroleum; by Brazil —where they rose by 17% in spite of the fall in the price of coffee and thereby recovered from the sharp drops of the previous two years; and by Paraguay —where they grew markedly as a result both of the increase in the volume of exports and of the increase in the average prices of cotton and soya.

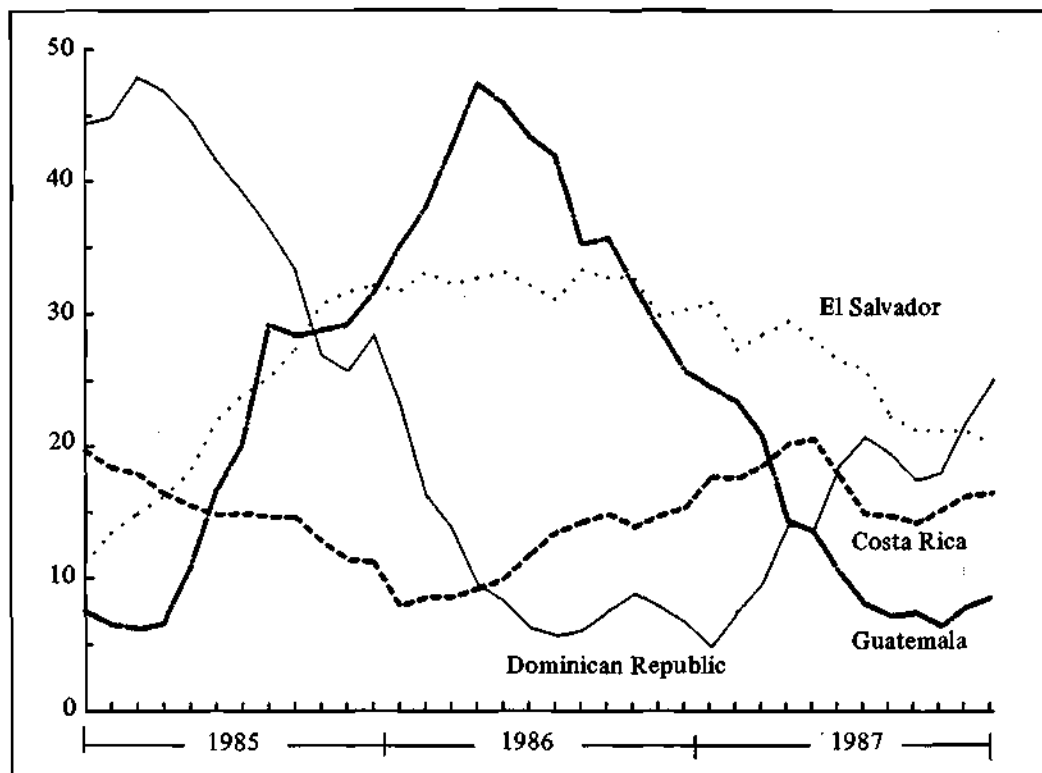
In contrast, the value of exports fell for the second year running in Argentina and Ecuador and for the third consecutive year in Bolivia and Guatemala. It also declined in El Salvador and Honduras.

The increase in exports was accompanied by a 12% rise in the value of imports, whereby they continued to recover from the pronounced slump of over 40% which occurred in the 1982-1983 biennium.

Figure 10

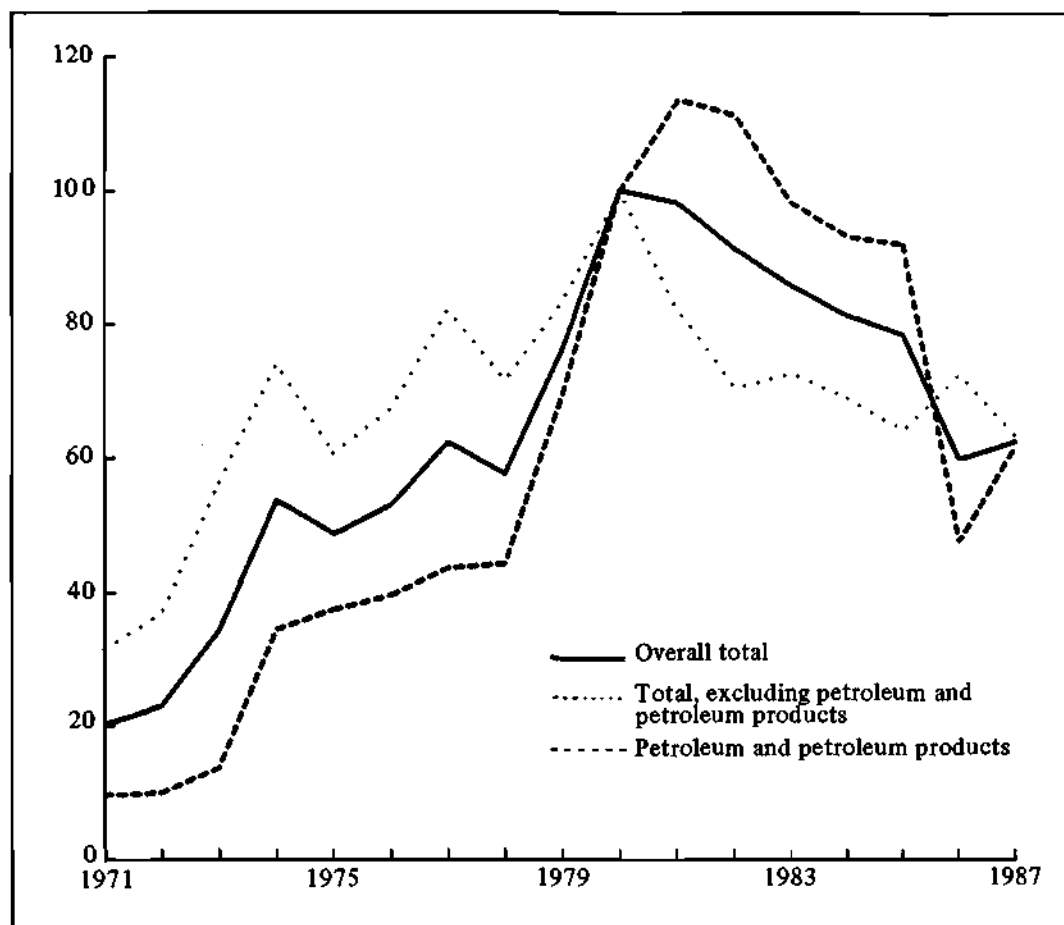
LATIN AMERICA: TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX OF SELECTED COUNTRIES

(Percentages)



Source: ECLAC, on the basis of official figures.

Figure 11
LATIN AMERICA AND THE CARIBBEAN: PRICE INDEX
OF PRINCIPAL EXPORT PRODUCTS
(1980 = 100)



Source: ECLAC, on the basis of figures supplied by UNCTAD.

The growth of imports was, moreover, quite widespread (see table 16). They fell in volume in Brazil, El Salvador, Haiti, Honduras, Panama and Nicaragua, but the latter country was the only one in which the shrinkage was noteworthy (-22%). In contrast, the volume of imports grew by 10% or more in 10 countries, and in four of these — Ecuador, Guatemala, Paraguay and Uruguay — the real increase in external purchases exceeded 20% (see table 16). However, only six countries in the region (Bolivia, Ecuador, Panama, Paraguay, Peru and the Dominican Republic) recorded a volume of imports higher than their pre-crisis level.

Since the rise in the unit value of exports was somewhat higher than that of imports, a slight improvement occurred in the terms of trade, following its decline over the previous two years (see table 17). Nevertheless, the cumulative deterioration since 1980 was still considerable (-18%). Moreover, the improvement was almost entirely concentrated in the petroleum-exporting countries, which benefitted from the almost 30% increase in the international price of petroleum. In almost all the remaining economies of the region, and in particular in the coffee-exporting countries, the terms of trade, in contrast, worsened considerably (see table 18). The only countries that did not follow this trend were Chile — where the rises in the prices of copper, fish meal, wood pulp and other exports

offset the impact of the increase in the prices of petroleum and of manufactured goods from Europe and Japan; Paraguay, thanks to the significant recovery of the international price of cotton; and Uruguay, on account of the improved international prices of meat and wool (see table 19).

As a result of the rise in the terms of trade and of the increased volume of exports, the purchasing power of the latter rose by 7%, thereby partly recovering from the previous year's fall. However, the only countries in which the trend in the purchasing power of exports was clearly satisfactory were Paraguay, Mexico, Venezuela, Chile, Brazil and Nicaragua, while it worsened markedly in El Salvador, Bolivia, Guatemala, Ecuador, Argentina, Honduras and the Dominican Republic (see tables 20 and 21).

2. The balance of payments

As the value of exports grew more rapidly than that of imports, the downward trend of the merchandise trade surplus since 1984 was halted in 1987. After having reached an all-time high of US\$39.4 billion in 1984, a figure which was cut by half in the two following years, the surplus rose to US\$21.6 billion in 1987 (see table 22).

However, far from representing a generalized trend, this rise was almost exclusively accounted for by the extremely large increases which occurred in the trade surpluses of Mexico —where it almost doubled, from US\$4.6 billion in 1986 to US\$8.4 billion in 1987; of Venezuela —where it rose from US\$800 million to rather more than US\$1.7 billion; and of Brazil —where it increased from US\$8.4 billion to US\$11.2 billion.

In the remaining countries —with the exceptions of Chile (whose surplus increased by 12%) and Nicaragua, Panama, Paraguay and Haiti (which successfully reduced their deficits)— the merchandise trade balance was less satisfactory than during the previous year. The deterioration was particularly marked in Argentina —whose trade surplus fell by US\$1.5 billion and was thus equivalent to less than one-fifth that recorded two years previously; in Ecuador —where the US\$560 million surplus earned in 1986 was replaced by a US\$30 million deficit; in Guatemala and Costa Rica —which experienced a similar turnaround; and in Bolivia, Peru, El Salvador and the Dominican Republic —where the trade deficit increased significantly.

Since the region's net payments of profits and interest declined by almost 5% to a level of about US\$30 billion (see table 23), the merchandise trade surplus in 1987 covered a greater proportion (72%) of the net payments of profits and interest than in the previous year (58%), although a considerably lower one than the 96% recorded in 1985.

This, together with the slight decrease in net payments for services, led to a drop in the current account deficit, which fell from US\$15.4 billion in 1986 to US\$9.8 billion in 1987, thus representing 9% of the value of total exports of goods and services (see table 24). However, this reduction was almost exclusively attributable to the changes in three countries: Mexico, which earned a huge US\$3.6 billion surplus in 1987 after having recorded a US\$1.5 billion deficit in 1986; Brazil, which reduced its deficit from US\$4.4 billion to US\$800 million; and Venezuela, whose deficit fell from almost US\$2 billion to US\$1.1 billion. In contrast, in all the remaining countries —with the exceptions of Chile, Nicaragua and Paraguay— the current account deficit increased (see table 23).

In 1987 the net capital inflow rose for the second year running, after having fallen to an extremely low level in 1985. The nominal figure of slightly over US\$10 billion was, however, equivalent to a third of what had been received by the region before the onset of the debt crisis, and in real terms it represented an even lower proportion.

The increase in external financing was accounted for in part by the disbursement of the considerable loans agreed upon with private international banks by Mexico and Argentina in order to refinance their external debt service and in part by the credit granted by public bilateral and multilateral lending agencies. The greater net capital inflows of some countries also reflected the repatriation of funds held by national residents abroad.

As a consequence of the expansion of net external financing and the simultaneous reduction in the current account deficit, a major turnaround occurred in the global balance of payments: after having closed with a deficit of US\$6.3 billion in 1986, it recorded a surplus of US\$400 million. Most of this change was attributable to the improvement in the balance-of-payments results of Mexico, which increased its international reserves by some US\$7 billion; and Venezuela, which reduced its balance-

of-payments deficit from more than US\$4 billion to US\$1.9 billion. In contrast, in 1987 the balance of payments of Argentina and Peru worsened considerably for the second year running (see table 23).

As a result of the increased capital inflow, together with the slight shrinkage in payments of interest and profits, the transfer of resources abroad fell to US\$20 billion, which was nearly 20% lower than in 1986 and equivalent to two thirds of the figure recorded, on average, in the 1983-1985 period (see table 25 and figure 12). However, the amount actually transferred in 1987 was US\$4 billion less than the above figure, since a number of countries, such as Brazil and the Dominican Republic, maintained partial moratoriums for much of the year but computed the interest in arrears as having been paid; they then recorded, as a counterpart entry, an equivalent reduction of their net reserves. This form of accounting shows a greater external transfer than the actual amount. Taking this into account, the amount actually transferred abroad was probably US\$16 billion. Even so, it means that an amount equivalent to between 2% and 3% of the region's product was indeed transferred abroad.

The cumulative net transfer of resources abroad between 1982 and 1987 was thus US\$150 billion (see table 26). Most of this transfer was made by the four largest economies in the region, which are also those with the greatest levels of indebtedness and foreign capital: Mexico (US\$58 billion), Brazil (US\$46 billion), Venezuela (US\$25 billion) and Argentina (US\$19 billion). During this period, a considerable transfer of funds abroad was also made by Chile (US\$4.3 billion), Ecuador (US\$2.4 billion) and Uruguay (US\$1.3 billion). In 1987 a marked increase occurred in the negative transfer made by Colombia (where it absorbed a very large proportion of exports). In the remaining countries of the region, the transfer of resources remained positive, although the figure was lower than had been customary prior to the crisis.

In the region as a whole, the transfer of resources abroad continued to absorb a considerable proportion (18%) of the value of exports of goods and services and thereby constituted a fundamental hurdle to the renewal of a process of sustained economic growth. Viewed from this angle, it is possible that the reduction in the transfer which occurred in 1987—which in part reflected the effects of the moratoriums declared by some countries and the involuntary loans granted by banks, largely to keep other countries from taking the same step—may have marked a turning point in the debt crisis. The countries no longer seem willing to cut back their imports, and, hence to sacrifice their economic development, in order to service their debts; rather, they seem to be reversing these priorities, seeking to use their foreign exchange to attain a minimum of growth. The transfer of resources itself thus seems to have become a variable of adjustment for the countries and, if necessary, they may even have recourse to unilateral reductions of such transfers, as occurred more frequently in 1987. Many countries in the region seem to be reaching the conclusion that the price of strictly fulfilling debt-servicing obligations and of seeking to achieve growth only after doing so with the remaining foreign exchange may be considerably higher than the cost of partially servicing the debt. Clearly, the consolidation of this approach could herald a change in the relative negotiating power of the region *vis-a-vis* the banks.

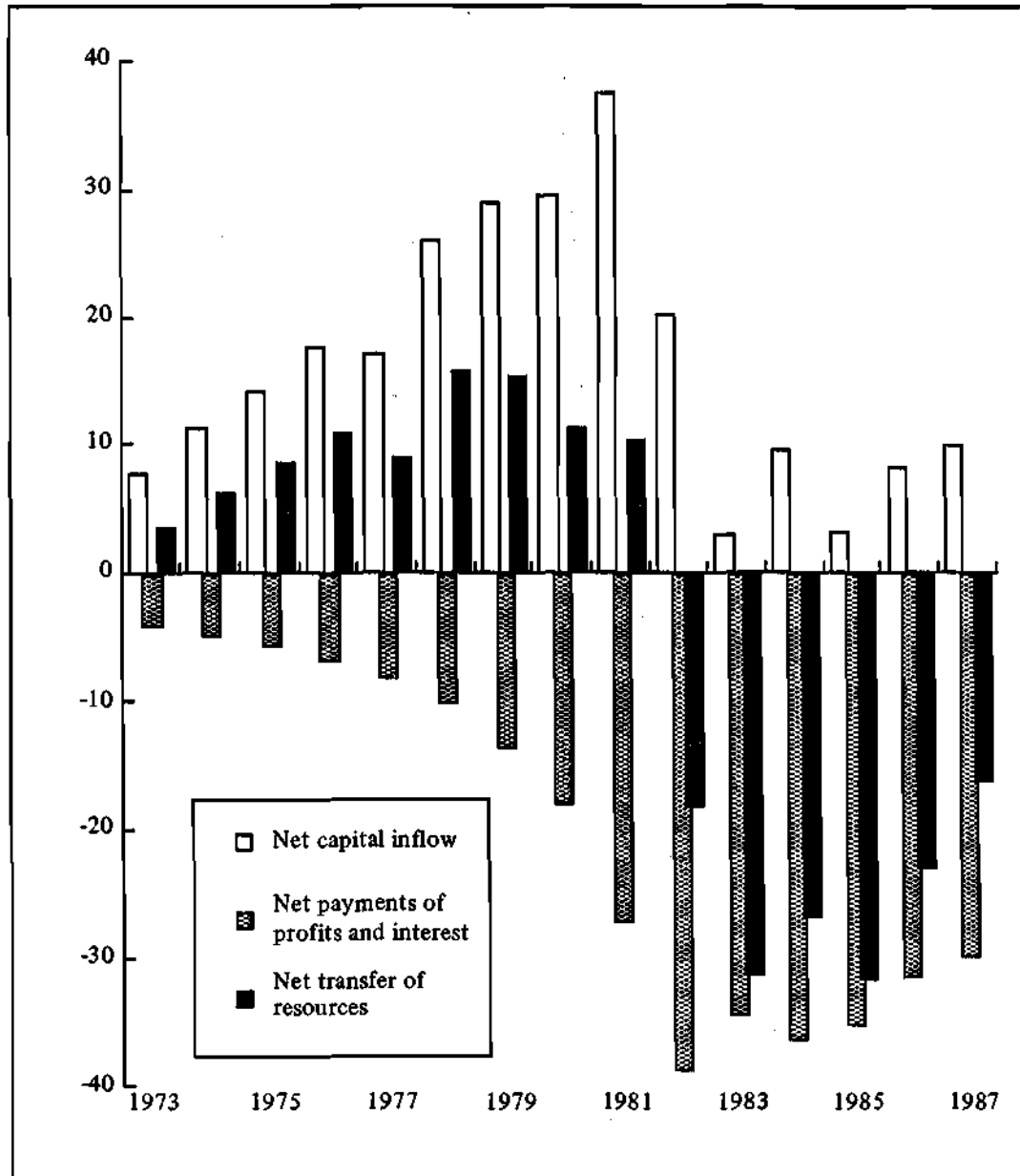
VI. THE EXTERNAL DEBT

1. Main trends

In 1987 the gradual growth of the region's external debt continued for the fourth year running. It has been estimated that the debt reached the figure of US\$413 billion by the end of the year. The 6.1% growth of the debt was consequently higher than in 1986 (see table 27). However, as the rate of inflation in the industrialized countries was approximately 3%, the debt actually grew by only slightly more than the 2% recorded the previous year. In practice, however, the debt grew by even less. This may be explained by the fact that the value of the dollar—in which the external debt is customarily measured—fell sharply against the currencies of other creditor countries. Of course, the relative size of the increase in the nominal figure for the debt produced by the devaluation of the United States dollar depended upon the currency composition of the external commitments of the countries of the region. One of the countries most affected by this change in 1987 was Brazil, whose debt rose by at least US\$3 billion on account of the increases in the values of the yen and of the main European currencies against the dollar.

Figure 12
**LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL
 INFLOW AND TRANSFER OF RESOURCES^a**

(Billions of dollars)



Source: ECLAC, on the basis of data supplied by the International Monetary Fund (IMF).

^aOn account of the manner in which certain countries entered into their accounts the arrears accumulated during their moratoriums, only US\$16 billion, rather than US\$20 billion, were actually transferred abroad. See the section on the external debt in the text.

As in the previous three years, the moderate expansion of the debt was a widespread phenomenon. The only countries in which it rose by an above-average rate were Bolivia, Ecuador, Paraguay and Uruguay, while in Chile, El Salvador, Panama and the Dominican Republic external indebtedness shrank slightly in absolute terms. However, with the exception of Chile, these reductions were partly if not entirely due to these three other countries falling into partial arrears and computing their arrears as a reduction in their medium- and long-term debt, while recording, as a counterpart entry, a drop in their net reserves. In Chile, the shrinkage was attributable to a programme of debt-equity conversions and to other operations involving debt notes, which retired US\$2.3 billion of debt with commercial banks between June 1985 and September 1987 and thus almost completely offset the effect of the fresh loans it obtained from multilateral agencies. Debt-equity conversions also considerably limited the growth of Mexico's debt, and it has been estimated that this mechanism allowed the country to reduce its external commitments by some US\$1 billion in 1987.

Due to the slow growth of the debt, to the lower level of international interest rates between mid-1986 and mid-1987 and to the recovery in the value of the exports of Latin America, indicators of the external debt burden for the region as a whole improved over 1986 (see figure 13). They nevertheless remained at critical levels and in most of the countries of Latin America external debt servicing continued to constitute the main constraint as regards a resumption of economic growth.

As the growth rate of the value of exports was more than double that of the debt, the regional debt/exports coefficient fell from 410% in 1986 to 385% in 1987. The drop was considerably more pronounced in the case of the petroleum-exporting countries (from 421% to 367%) than in the remaining economies of the region (from 406% to 398%). However, the coefficients of both groups remained significantly higher than the already very high coefficients recorded in 1982-1985 and almost 50% higher than those recorded in 1981, prior to the onset of the debt crisis (see table 28).

Moreover, the fall in the debt/exports coefficient was not a generalized phenomenon. The fall in the overall coefficient for the petroleum-exporting countries was exclusively attributable to the sharp drop which occurred in Venezuela and, above all, in Mexico, while the coefficient continued to rise in Bolivia and, Ecuador mainly on account of the fall in exports. In turn, as far as the non-petroleum-exporting countries are concerned, the slight drop in the debt/exports coefficient mainly reflected the fall in Brazil, Costa Rica, Chile, Haiti, Paraguay and the Dominican Republic. In contrast, the coefficient rose in Uruguay as well as in the majority of the countries of Central America, and attained exceptionally high levels in Argentina (701%) and Nicaragua (1 894%).

In 1987 a significant improvement also occurred in the interest/exports ratio, which constitutes another principal indicator of the debt burden. For the region as a whole, the coefficient fell from 36% in 1986 to 30% in 1987 (see table 29). The decline was more pronounced in the petroleum-exporting countries (from 35% to 28%) than in the other economies in the region (34% to 32%). While these coefficients were the lowest recorded since the onset of the debt crisis, they were nonetheless almost double those recorded in 1978-1979. Moreover, the reversal in the downward trend of international interest rates which has been observed until the beginning of 1987 means that interest payments will probably increase in 1988, leading to a rise in the interest/exports coefficient (see figure 10).

Among the petroleum-exporting countries, the interest/exports coefficient declined sharply in Mexico (from 38% to 30%) and in Venezuela (from 33% to 25%). In the case of the non-petroleum-exporting countries, the most significant drops occurred in Chile (from 39% to 26%), Brazil (41% to 33%) and Nicaragua (84% to 73%). There were no major increases in this coefficient, although among those countries which actually paid the interest on their debt, the coefficient for Argentina (53%) remained well above the regional average.

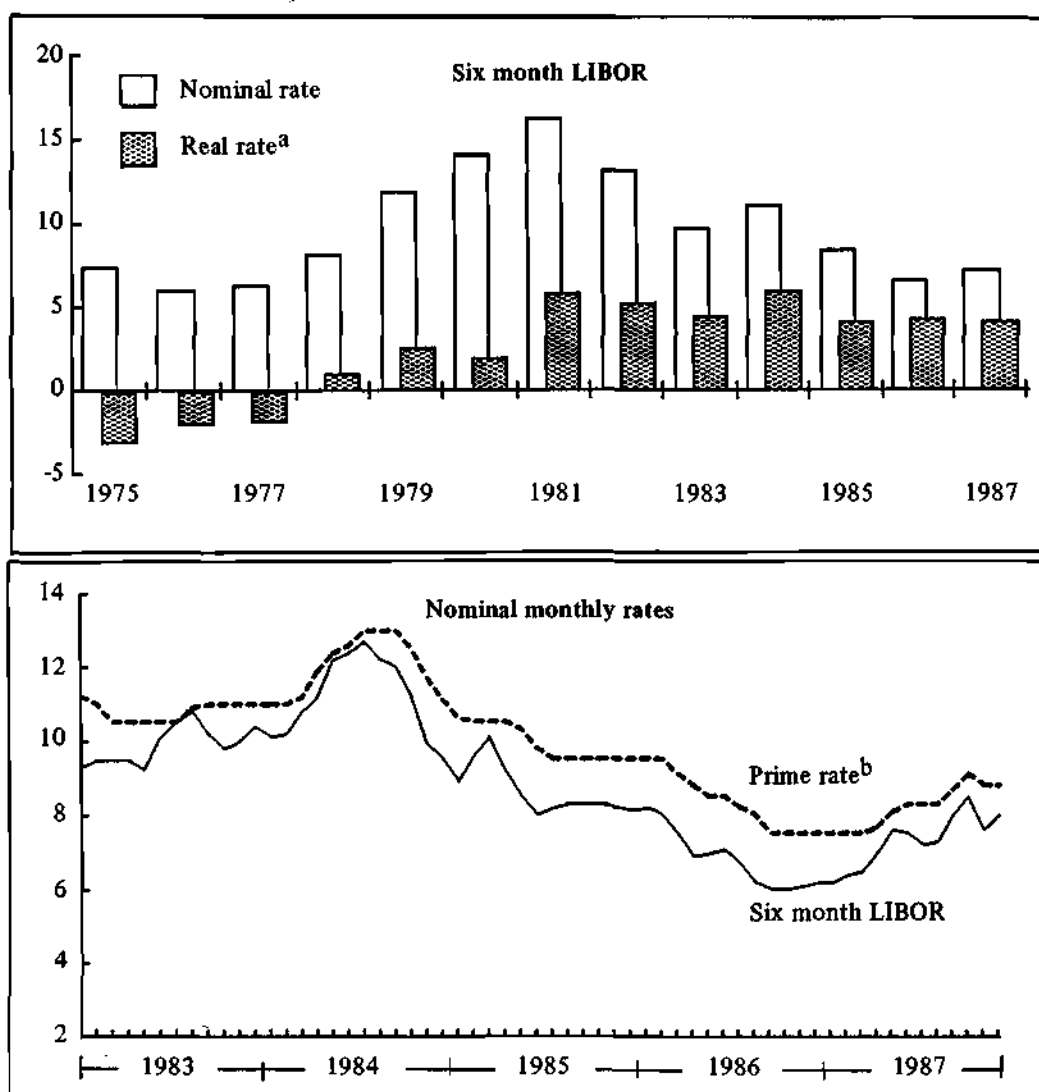
2. Debt renegotiation

While Mexico's problems and negotiations with its creditors constituted the focal point of attention in respect of the external debt in 1986, Brazil has drawn the most attention so far in 1987. At the beginning of the year, Brazil's request to the Paris Club that it be allowed to renegotiate its debt without first entering into an agreement with the IMF over an adjustment programme was accepted. In January, the creditor governments agreed to ease the terms in respect of the reimbursement of

US\$3.3 billion of payments in arrears, of which US\$2.5 billion corresponded to debt principal and US\$780 million to interest. These arrears had built up during 1985 and 1986 in respect of official bilateral debts amounting to US\$9 billion. The repayment periods of both this debt and the US\$840 million in payments due to be made during the first half of 1987 were extended. The new terms provided for a repayment period of eight years with five years grace.

However, the significance of the new agreement with the Paris Club lay more in the precedent it established than in any appreciable alleviation of debt servicing, since the official bilateral debt represents less than 10% of Brazil's US\$120 billion external commitments. The bulk of this debt

Figure 13
INTERNATIONAL INTEREST RATES
(Percentages)



Source: ECLAC, on the basis of information from the International Monetary Fund, *International Financial Statistics*.

^aNominal rate deflated by the consumer price index of the industrialized countries.

^bPreferential rate granted by United States banks to their best clients.

—some US\$80 billion— is owed to private banks, and as of the second half of 1986, Brazil's capacity to service this debt began to weaken rapidly. The country's huge monthly trade surplus, which had been financing all interest payments, gradually shrank until it became a deficit in the last quarter of the year. In conjunction with the absence of fresh bank loans, this meant that interest payments were mainly made by drawing on international reserves. Thus, by February 1987 the Central Bank's cash reserves had probably fallen to US\$3.3 billion, an amount sufficient to meet just three months of import requirements.

The outlook was further complicated by the increasing reluctance of private banks to grant new involuntary loans. Thus, Mexico had encountered enormous difficulty in persuading all its creditor banks to participate in a global loan of US\$7.7 billion which had been agreed upon in principle towards the middle of the previous year. In addition, the banks and the governments of their respective countries gave the impression that the innovative financial package arranged for Mexico in 1986—which for the first time had based financing on an economic growth target of 3%— had constituted a "special case", which other borrowers should not take as a precedent. These considerations, together with Brazil's position of dispensing with the IMF, indicated that it would be impossible to rapidly reach a rescheduling agreement with banks in order to stem the country's loss of international reserves. Consequently, at the end of February 1987 Brazil temporarily and unilaterally suspended the servicing of its medium- and long-term debt with private creditors.

The moratorium thus became the main bargaining tool used to overcome the growing inertia of the international banking system in the search for a means of easing the Third World's debt. Brazil attempted to use this means obtain a rescheduling agreement including sufficient fresh financing to support the country's growth targets and to avoid exhausting its international reserves. However, Brazil adopted a strategy which was more conciliatory than confrontational: the government categorically denied any desire to set up a debtors' cartel. Thus, rather than requesting a meeting of the Cartagena Consensus, Brazil expressed its desire to begin negotiations with private banks in order to reschedule its debts. Furthermore, save for a certain ambivalence in respect of the direct intervention of the IMF in its economy, the government's initial objectives fell within the conventional framework of the Baker Plan: a renegotiation covering several years, with a low spread together with fresh credit to refinance part of the burden of interest payments on the external debt. Towards the middle of 1987 the Brazilian government was considering the need to request fresh loans of approximately US\$6 billion, of which US\$4 billion would be provided by private banks.

Brazil's declaration of a moratorium, together with the previous unilateral suspension of payments by Ecuador in January on account of the slump in its income from petroleum, sparked off an interesting chain reaction. Its most immediate consequence was to put an end to the growing inertia observed in respect of debt negotiations. A number of Latin American countries had been endeavouring to obtain concessions from the banks similar to those envisaged in the package granted to Mexico in 1986. However, negotiations had been at a standstill as private banks steadfastly resisted any attempt to generalize the terms of that rescheduling. At least one of the main United States banks had publicly stated its opposition to granting any further concessions to debtors. However, a turnaround occurred in this situation following the moratorium declared by Brazil. In an attempt to dampen the dissemination of any demonstration effect, banks gave up most of their objections to the requirements of Brazil's neighbours and signed new rescheduling agreements with a number of countries in Latin America and in other regions. This in turn contributed to a clearer definition of the fourth round of rescheduling, which had begun with the global financing granted to Mexico in 1986 (see table 30).

Argentina's negotiations with banks had come to a standstill, due, among other things, to its government's insistence that it be granted a similar spread to that given to Mexico in addition to involuntary loans to sustain the projected rate of growth for 1987 (4%). Negotiations became tense in early 1987 when the government suggested that it might adopt Brazil's policy and suspend payments if the banks did not prove more flexible. The agreement finally reached in April was certainly similar in many respects to the Mexican package. The total balance of the medium- and long-term debt with international banks (US\$29.5 billion) was rescheduled and fresh funds of almost US\$2 billion (US\$500 million of which were linked to joint financing from the World Bank) were granted to support the government's projected rate of growth. The average spread of 0.81% over LIBOR was identical to that granted to Mexico, while the weighted amortization period for the

package was 18 years. No fixed commission was charged either on the rescheduled payments or on the fresh funds. However, in order to avoid the delays which Mexico had experienced in obtaining the banks' acceptance of the global financing agreement, private creditors were offered a special commission of 3/8% in return for rapidly subscribing to the fresh involuntary loan. Overall, the terms of the agreement with Argentina were significantly softer than those agreed upon in the third round (see table 31).

There were a number of other interesting features in the Argentine agreement as well, most noteworthy of them being the creation of exit bonds for small banks, which had proved reluctant to grant fresh funds. These institutions were offered the alternative of purchasing Argentine government bonds, maturing after 25 years at an interest rate of 3%, i.e., below the market rate. This arrangement represented a major innovation in that it integrated a reality of the private credit market—the fact that the smaller banks desired to withdraw from rescheduling arrangements—and paved a smoother path for reaching a rescheduling agreement. Unfortunately, only a small number of financial institutions subscribed to this new financial instrument, thereby casting doubt upon the scope of such innovations.

Chile had also encountered difficulties in its negotiations concerning the retiming of interest payments. One of the main banks in the Committee resolutely opposed this means of financing Chile's economic programme, thereby paralyzing a definitive rescheduling agreement. However, a few days before Brazil declared its moratorium, the banks suddenly set aside this objection to the retiming clause in respect of interest payments, and in February an agreement in principle was reached.

The Chilean programme provided for the rescheduling of somewhat more than US\$12 billion of public and private sector payments due in 1989-1991. The average surcharge of 1% and the 15-year repayment period represented an improvement over the 1.42% surcharge and 12-year period of the third round. As on that occasion, no fixed commission was charged on the rescheduled maturities. The Chilean agreement certainly constituted an innovation in that the financing was not to be provided by involuntary loans, but by a retiming of interest payments, which would be made on an annual rather than a half-yearly basis as from 1988. It was calculated at the time that this adjustment would make it possible to save some US\$450 million during that year. Partly as a result of the fact that the banks were not required to provide any fresh credit, the final agreement was signed extremely rapidly and all the creditor banks agreed to participate.

For its part, Venezuela had encountered strong opposition to its proposal to modify the agreement signed with banks in February 1986 (as part of the third round of negotiations). The aim of the proposal was to obtain treatment similar to that granted slightly earlier to Mexico. Opposition collapsed when Brazil declared its moratorium, and shortly afterwards it was announced that the agreement had been signed. Under the terms of this agreement, the spread on the maturities rescheduled in 1986 was brought down from 1.13% to 0.88% over LIBOR. The amortization period was extended from 12 to 14 years, and payments of approximately US\$6 billion due in 1987-1989 were postponed; thus, in 1987, Venezuela's amortization payments amounted to only US\$250 million as against the US\$1 billion provided for in the 1986 agreement.

The banking community's strategy designed to cope with the situation raised by the Brazilian moratorium through the negotiation of a series of new rescheduling agreements with other debtor countries was foreseeable. It represented a form of "damage control" adopted to mitigate the demonstration effects of the Brazilian policy. It also helped to partially isolate the Brazilian economic authorities, who were facing major difficulties arising out of domestic problems associated with the management of the Plan Cruzado.

Less predictable, however, was the approach taken by the banks in dealing with the Brazilian moratorium itself. In the rounds leading up to and even including the 1986 Mexican financial agreement was less predictable. The more obdurate stance adopted by a major debtor had frequently shaken up the international banking system and given rise to new initiatives (often of a multilateral nature) to prevent debtors from failing to make their payments. On this occasion, however, the banks adopted a less passive approach. Rather than endeavouring to keep the conflictive debtor up to date in its interest payments through a refinancing agreement involving fresh loans, the main United States banks rapidly took steps to reclassify the Brazilian credit as non-performing, although 90 days were still left before such a step—which lessens their earnings—would go into legal effect. This

represented a dramatic decision on the part of creditors, as Brazil —the region's largest debtor— accounts for no less than one-fifth of the annual earnings of a number of major United States banks. The banks' new attitude was reinforced in May, when the largest United States bank decided to increase its reserves by US\$3 billion, i.e., 150%, in order to cover possible losses on its loans. Other United States banks followed suit, and increased their reserves in order to cover possible losses on their Latin American loan portfolios as well.

By this means the banks endeavoured to increase their bargaining power, as this allowed them to wait until better conditions for a rescheduling emerged. This gave them a significant potential advantage, particularly when no domestic consensus existed within the debtor country as to the desirability of declaring a moratorium. Under such circumstances, the irregular payment of commitments to the international financial market could exert growing domestic pressure on the authorities of the debtor country to reach an agreement with their creditors. Thus, the trend within the international banking system to increase reserves posed the threat that debtors might be confronted with a less flexible negotiating environment and encounter further difficulties in negotiating fresh involuntary bank loans. Furthermore, the downward trend of spreads over LIBOR might come to an end and banks might be better able to pressure debtor countries into complying with the conditions laid down by the IMF and the World Bank. The more rapid constitution of reserves to cover possible losses also increased the banks' capacity to withstand pressure from their own governments to meet the requirements set out in the Baker Plan.

For a time, the subsequent evolution of the negotiations bore out these hypotheses. Brazil thus continued to be in an irregular position in respect of its payments to the banks for a considerable period of time without any new initiatives being taken by private creditors, which insisted, as a precondition for a debt renegotiation agreement, that the country should sign an agreement with the IMF and make a nominal payment of US\$400 million in arrears of interest as a demonstration of good faith. In the meantime, the Brazilian position rapidly evolved towards more innovative proposals regarding the management of the debt problem. As early as July, the government submitted a new estimate of its financial requirements from the banks of approximately US\$7 billion over the next 18 months. In addition, it expressed interest in taking advantage both of the discount at which Brazilian notes were being traded in secondary market and of the setting of a 0% spread over the interest rate applicable to the debt owed to commercial banks. Then, in August, it was announced that Brazil, in order to dispel the uncertainty created by the multiple rescheduling, was interested in converting approximately half of its medium-term bank debt into bonds, which would permit the country to obtain part of the above-mentioned discount. This latter idea was put into effect in September, when the Brazilian authorities submitted a formal proposal to their creditors which included a proposition for the conversion of a part of the debt into long-term bonds.

However, the Brazilian proposal was not well received in financial circles. Even though it was willing to reformulate its proposal, Brazil faced the prospect of an extended moratorium, in part due to the insistence of the banks that any agreement should be preceded by an IMF agreement. The stalemate was finally broken in November by two factors. Firstly, the moratorium had been in force for more than six months, which led to expectations that the United States monetary authorities, in conformity with the prevailing banking regulations, would have to declare the Brazilian loans to be in a state of "reduced value"; this meant that the banks would have had to constitute specific reserves against risk of losses, equivalent to 10% of their Brazilian loan portfolio. Secondly, the meeting of the United States banking authorities to determine the value of the Brazilian debt had been scheduled for 20 October, that is to say, one day after "black Monday", when the collapse of the United States stock exchange occurred. The need to avoid further bad news and to stabilize markets led to the direct intervention by the United States government aimed at securing an agreement between Brazil and the banks. This official effort bore fruit, since in early November an interim agreement between the two parties was announced. In fact, the main creditor banks of Brazil agreed to grant a short-term credit of US\$3 billion as their contribution to a fund of US\$4.5 billion set up for the purpose of liquidating a part of the arrears in interest payments accumulated during 1987. The other US\$1.5 billion would come from Brazil's international reserves. The banks' credit —which was linked to a more definitive future rescheduling agreement that remained to be negotiated— carried a 0.875% spread over the LIBOR rate and a commission of 0.25%. This loan was not tied to a prior agreement with the IMF.

Also in November, Uruguay secured a new rescheduling of US\$1.8 billion. The agreement covered payments due between 1986 and 1991. The 0.88% spread was considerably lower than the 1.38% provided for in the third round, and the total amortization period of 17 years was five years longer than that agreed upon in the preceding round. No commissions were established, as had also been the case in the third round of debt renegotiations (see tables 30 and 31).

A few days before the announcement of the Uruguayan rescheduling, a new rescheduling agreement was announced in Ecuador. The plan provided for a rescheduling of payments due totalling US\$5 billion, together with a new involuntary loan of US\$350 million, to be used exclusively for liquidating the arrears in interest payments that had accumulated since the start of the Ecuadorian moratorium in January 1987. However, the application of the agreement was called into question when, in December, the authorities of the country declared their intention to extend the moratorium in respect of their obligations to the banks.

Costa Rica, too, succeeded in establishing a significant precedent as regards debt renegotiations. Since 1982 it had been customary to insist upon a direct link between IMF adjustment programmes and the reprogramming of bank debts. However, the country signed a stand-by credit arrangement with the Fund for the amount of US\$65 million which did not provide for the hitherto customary requirement that the debtor country should conclude a prior agreement with the private banks concerning outstanding interest payments. Thus, in practice, the adjustment programme agreed upon with the IMF was "de-linked" from the issue of the private banks' portfolio.

For its part, Peru—a country which since July 1985 had been operating outside of the conventional framework for the management of debt servicing problems—managed to extend the application of the novel principle of repaying the debt in kind to include the international private banks. Thus, during the last quarter of 1987, the country signed an agreement with the Midland Bank and the First Interstate Bank to repay US\$14 million in debt with Peruvian exports. Under this plan, the banks were required to purchase, in foreign currency, additional Peruvian products for each dollar repaid in kind; the corresponding ratio for the Midland Bank was set at 2.5 and that for First Interstate at 3. During the last quarter Peru also announced its intention to present a new payment plan to the creditor banks under which it would offer to convert its debt into long-term bonds. These new financial instruments would not carry interest and would be amortized over a period of 25 years and in kind.

Another significant development in 1987 was the marked drop in the prices at which Latin American debt notes were traded in the secondary market. As early as in October, the notes of the majority of debtor countries were being traded at 50% or less of their nominal value. This drop was partly due to the greater supply resulting from the decision of the main United States banks to increase their loan risk reserves. This increase in reserves placed the banking institutions in a better position to adjust their portfolios through the sale of their loans or through their conversion into direct investments in the debtor country.

As regards this latter phenomenon, in 1987 a large number of countries set up programmes to facilitate the conversion of debt into investments. During the year, for example, Argentina, Brazil, Honduras, Jamaica and Venezuela introduced new plans. For its part, Mexico resumed a programme which it had suspended while awaiting signature by the banks of the new package of loans agreed upon in 1986. Chile, a pioneer in such schemes, also established a new mutual fund which would give the banks indirect access to the local stock market. This formula was to be incorporated into its existing legislation, which permitted banks to capitalize their promissory notes directly. Buy-back and capitalization programmes also existed in Costa Rica and Ecuador, although towards the end of the year the latter country suspended conversions owing to the doubts that had arisen regarding the benefits to be derived from certain transactions. Meanwhile, Bolivia set up a special fund to receive foreign donations to finance the repurchase of its external debt notes, which by the end of the year were being traded at only 8% of their nominal value.

Table 1

**LATIN AMERICA AND THE CARIBBEAN: MAIN
ECONOMIC INDICATORS^a**

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Indexes (1980 = 100)										
Basic economic indicators										
Gross domestic product at market prices	88.3	94.3	100.0	100.7	99.5	97.0	100.6	104.2	108.2	111.0
Gross national income	87.3	93.7	100.0	98.8	94.0	91.5	95.3	98.4	101.7	104.9
Population (millions)	342	350	358	366	374	382	391	399	408	416
Per capita gross domestic product	92.5	96.5	100.0	98.5	95.0	90.6	91.9	93.1	94.5	94.9
Per capita gross national income	91.5	95.9	100.0	96.6	89.8	85.5	87.0	87.8	88.8	89.7
Growth rates										
Short-term economic indicators										
Gross domestic product	4.5	6.8	6.2	0.7	-1.2	-2.5	3.7	3.6	3.8	2.6
Per capita gross domestic product	2.0	4.4	3.7	-1.6	-3.4	-4.7	1.4	1.4	1.6	0.4
Per capita gross national income	1.3	4.9	4.4	-3.4	-7.0	-4.8	1.8	0.9	1.1	1.0
Urban unemployment rate ^c	6.8	6.0	6.2	6.6	7.0	8.1	8.2	7.3	6.2	5.8
Consumer prices ^d	38.9	54.0	56.0	57.5	84.6	130.8	184.8	274.7	64.5	198.3
Terms of trade (goods and services)	-6.1	5.7	5.6	-5.1	-11.8	-2.9	5.9	-5.1	-7.4	0.9
Current value of exports of goods and services	9.8	33.8	32.2	7.9	-11.1	-0.8	11.3	-4.7	-12.7	13.0
Current value of imports of goods and services	16.7	26.5	33.3	9.5	-18.8	-28.0	3.9	-0.4	2.5	10.8
Billions of dollars										
External sector										
Exports of goods and services	61.3	82.0	107.6	116.1	103.2	102.4	114.0	108.7	94.8	107.1
Imports of goods and services	69.8	88.2	117.6	128.7	104.7	75.3	78.2	77.8	79.8	88.4
Trade balance (goods and services)	-8.5	-6.2	-10.0	-12.8	-1.5	27.0	35.8	30.8	15.1	18.7
Net payments of profits and interest	10.2	13.6	17.9	27.1	38.7	34.3	36.3	35.1	31.5	30.1
Balance on current account	-18.4	-19.7	-28.0	-40.3	-41.0	-7.4	0.1	-3.6	-15.4	-9.8
Net capital inflow	26.1	29.1	29.5	37.5	20.1	3.0	9.5	3.2	9.0	10.2
Balance of payments position	7.8	9.4	1.4	-2.8	-21.0	-4.4	9.2	-0.4	-6.3	0.4
Total disbursed external debt	152.7	185.3	228.1	286.3	329.3	352.1	369.8	376.7	389.3	413.1

Source: ECLAC, on the basis of official figures.

^aThe figures for the gross domestic product and for consumer prices refer to all the countries listed in tables 2 and 11 (except Cuba), respectively. The data concerning the external sector correspond to the 19 countries included in the table on the balance of payments for Latin America. ^bPreliminary figures. ^cWeighted average annual rates for 18 of the 25 largest cities in Latin America. ^dDecember-to-December variation.

Table 2

**LATIN AMERICA AND THE CARIBBEAN: TOTAL
GROSS DOMESTIC PRODUCT**

	Annual growth rates						Cumulative variation
	1982	1983	1984	1985	1986	1987 ^a	1980-1987 ^a
Latin America and the Caribbean (excluding Cuba)	-1.2	-2.5	3.7	3.6	3.8	2.6	10.9
Oil-exporting countries	-0.6	-5.0	2.6	2.3	-0.9	1.6	5.9
Bolivia	-4.3	-6.5	-0.3	-0.1	-2.9	2.5	-10.6
Ecuador	1.2	-1.2	4.8	4.9	3.4	-7.0	9.4
Mexico	-0.6	-4.1	3.7	2.6	-3.9	1.4	7.2
Peru	0.4	-11.7	4.8	2.4	9.0	6.6	14.9
Trinidad and Tobago	0.3	-9.7	-6.6	-3.1	-1.1	-2.3	-20.9
Venezuela	-1.2	-5.4	-1.4	1.3	6.9	3.0	1.5
Non-oil-exporting countries (excluding Cuba)	-1.6	-0.9	4.4	4.5	6.8	3.1	14.0
Antigua and Barbuda	-1.4	6.4	6.6	6.6	8.0	8.7	45.5
Argentina	-5.8	2.6	2.3	-4.5	5.8	1.6	-5.8
Barbados	-5.2	0.4	3.6	0.9	5.6	2.2	5.3
Belize	-4.9	1.5	1.3	2.3	1.5	5.0	7.2
Brazil	0.9	-2.3	5.7	8.4	8.1	2.9	21.2
Colombia	1.1	1.9	3.8	3.8	5.9	5.5	26.6
Costa Rica	-7.2	2.7	7.9	0.8	5.3	3.8	10.3
Cuba ^b	3.9	4.9	7.2	4.6	1.2	-3.5	38.3
Chile	-13.0	-0.5	6.1	2.5	5.4	5.5	9.7
Dominica	2.4	2.5	5.8	1.2	3.6	5.1	42.5
El Salvador	-5.6	0.6	2.3	1.8	0.5	2.7	-6.7
Grenada	5.4	1.2	5.0	5.4	5.5	5.0	33.6
Guatemala	-3.3	-2.7	0.1	-0.5	0.2	2.5	-3.1
Guyana	-10.8	-10.3	2.1	1.0	0.2	0.7	-17.3
Haiti	-3.4	0.7	0.4	0.5	0.6	-0.5	-4.6
Honduras	-1.8	-	2.5	1.6	2.5	4.2	10.0
Jamaica	-0.2	1.2	-	-5.4	2.1	5.2	5.1
Nicaragua	-0.8	4.7	-1.5	-4.0	-0.6	1.8	4.4
Panama	5.0	-	-0.4	4.8	3.1	2.7	20.5
Paraguay	-0.7	-2.9	3.3	4.1	-0.3	4.6	17.3
St. Kitts and Nevis	6.1	-1.1	8.2	4.6	4.6	5.1	37.2
St. Lucia	3.0	4.0	5.1	6.0	5.8	2.1	30.2
St. Vincent and the Grenadines	5.8	5.0	5.8	4.1	2.4	2.0	37.4
Suriname	-4.0	-3.4	-1.9	0.9	0.1	-7.0	-8.3
Dominican Republic	1.3	5.1	1.8	-3.9	2.5	7.6	19.2
Uruguay	-10.0	-5.9	-1.2	0.2	7.1	5.4	-4.4

Source: ECLAC, on the basis of official data.

^aPreliminary estimates subject to revision.^bRefers to total social product.

Table 3

**LATIN AMERICA AND THE CARIBBEAN: PER CAPITA
GROSS DOMESTIC PRODUCT^a**

	Annual growth rates						Cumulative variation
	1982	1983	1984	1985	1986	1987 ^a	1980-1987 ^a
Latin America and the Caribbean (excluding Cuba)	-3.4	-4.7	1.4	1.4	1.6	0.4	-5.0
Oil-exporting countries	-3.1	-7.4	0.1	-0.2	-3.2	-0.8	-11.0
Bolivia	-6.8	-8.9	-2.9	-2.8	-5.5	-0.3	-26.0
Ecuador	-1.7	-4.0	1.8	1.9	0.6	-9.6	-10.5
Mexico	-3.0	-6.4	1.2	0.3	-6.1	-0.8	-9.1
Peru	-2.2	-14.0	2.1	-0.2	6.2	3.9	-4.1
Trinidad and Tobago	-0.5	-10.6	-7.6	-4.2	-2.1	-3.5	-26.1
Venezuela	-4.0	-8.0	-4.1	-1.4	4.0	0.3	-16.5
Non-oil-exporting countries (excluding Cuba)	-3.7	-2.9	2.3	2.3	4.6	1.1	-1.4
Antigua and Barbuda	-2.7	5.0	5.3	6.6	6.7	7.4	33.1
Argentina	-7.1	1.1	0.8	-5.7	4.4	0.3	-14.6
Barbados	-5.9	-0.8	2.8	0.1	4.9	1.1	-0.9
Belize	-6.8	0.2	-0.7	1.6	-0.4	3.1	-5.2
Brazil	-1.3	-4.5	3.4	6.1	5.9	0.8	3.9
Colombia	-1.1	-0.2	1.6	1.6	3.7	3.3	9.1
Costa Rica	-9.9	-0.2	4.8	-2.0	2.5	1.0	-9.7
Cuba ^b	3.3	4.3	6.6	3.8	0.3	-4.4	31.7
Chile	-14.5	-2.2	4.3	0.8	3.6	3.7	-2.4
Dominica	1.1	1.2	4.5	-0.1	2.3	3.8	30.0
El Salvador	-6.5	-0.2	1.4	0.5	-1.1	0.9	-14.4
Grenada	4.4	0.3	3.2	4.4	3.7	4.1	23.2
Guatemala	-6.0	-5.4	-2.7	-3.3	-2.6	-0.4	-20.5
Guyana	-12.6	-12.0	0.2	-0.9	-1.6	-1.0	-27.6
Haiti	-5.1	-1.1	-1.3	-1.3	-1.2	-2.4	-16.0
Honduras	-5.3	-3.6	-1.1	-1.9	-0.8	0.9	-13.9
Jamaica	-1.5	-0.2	-1.4	-6.4	0.6	3.7	-4.6
Nicaragua	-4.0	1.2	-4.8	-7.2	-3.9	-1.6	-17.4
Panama	2.7	-2.2	-2.5	2.6	1.0	0.6	3.6
Paraguay	-3.9	-6.0	0.1	0.9	-3.2	1.5	-5.9
St. Kitts and Nevis	6.1	-1.1	5.8	4.6	4.6	5.1	34.2
St. Lucia	2.2	2.4	4.0	4.3	4.2	1.3	19.3
St. Vincent and the Grenadines	4.8	4.0	4.8	3.1	1.4	1.1	28.4
Suriname	-4.0	-3.4	-2.2	0.6	-0.5	-7.5	-9.6
Dominican Republic	-1.1	2.6	-0.6	-6.1	0.2	5.1	1.1
Uruguay	-10.6	-6.6	-2.0	-0.5	6.3	4.6	-9.0

Source: ECLAC, on the basis of official figures.

^aPreliminary figures subject to revision.^bRefers to total social product.

Table 4

LATIN AMERICA: URBAN UNEMPLOYMENT

(Average annual rates)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Latin America ^b	6.8	6.0	6.2	6.6	7.0	8.1	8.2	7.3	6.2	5.8
Argentina ^c	3.3	2.5	2.6	4.7	5.3	4.6	4.6	6.1	5.2	5.9
Bolivia ^d	...	...	5.8	9.7	10.5	14.2	15.1	18.0	20.0	20.0
Brazil ^e	6.8	6.4	6.3	7.9	6.3	6.7	7.1	5.3	3.6	3.7
Colombia ^f	9.0	8.9	9.7	8.2	9.3	11.8	13.5	14.1	13.8	11.7
Costa Rica ^g	5.8	5.3	6.0	9.1	9.9	8.6	6.6	6.8	6.7	5.6
Chile ^h	14.0	13.6	11.8	11.1	22.1	22.2	19.3	16.3	13.5	12.3
Ecuador ⁱ	...	5.4	5.7	6.0	6.3	6.7	10.6	10.4	12.0	14.0
Guatemala ^j	...	...	2.2	2.7	4.7	7.6	9.7	12.9	14.2	12.6
Honduras ^k	...	...	8.8	9.0	9.2	9.5	10.7	11.7	12.0	13.3
Mexico ^l	6.9	5.7	4.5	4.2	4.2	6.6	5.7	4.4	4.3	3.9
Panama ^m	9.6	11.6	9.9	11.8	10.1	11.7	12.4	15.6	12.2	14.0
Paraguay ⁿ	4.1	5.9	4.1	2.2	5.6	8.4	7.4	5.2	6.1	5.6
Peru ^o	10.4	11.2	10.9	10.4	10.6	9.2	10.9	11.8	8.2	...
Uruguay ^p	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1	10.7	9.3
Venezuela ^q	5.1	5.8	6.6	6.8	7.8	10.5	14.3	14.3	12.1	9.9

Source: ECLAC and PREALC, on the basis of official figures.

^aPreliminary figures ^bWeighted average for the 25 largest Latin American cities except (for want of comparable data): Havana, Santo Domingo, Fortaleza, Guayaquil, San Juan (Puerto Rico) and Guatemala City. ^cNational urban rate, April-October average; 1986: October only. ^dNationwide; 1987: official estimates. ^eMetropolitan areas of Rio de Janeiro, Sao Paulo, Belo Horizonte Porto Alegre, Salvador and Recife; twelve-month average; 1980: June-December average. ^fBogotá, Barranquilla, Cali and Medellín, average for March, June, September and December; 1985: average for March, July, September and December; 1986: average for April, June, September and December. ^gNational Urban rate, average for March, July and November; 1984: average for March and November; 1986 average for March and July. ^hGreater Santiago, average for March, June, September and December. ⁱNationwide, official estimates. ^jUp to 1982, metropolitan areas of Mexico city, Guadalajara and Monterrey; from 1983 on, average for 16 cities, four-quarter average. ^kMetropolitan Region, August of each year except 1977-1979, for which the national urban rate is given; 1980: according to national census data collected in February. ^lAsunción, Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo; 1981: first half of year; 1982: first quarter; 1983: average for September, October and November; 1984: average for August, September and October; 1985: average for November-December. ^mUnemployment nationwide. ⁿMontevideo, two-semester average; from 1981 on, four-quarter average. ^oNational urban rate, two-semester average; 1986: second half of year.

Table 5
LATIN AMERICA: UNEMPLOYMENT RATE
IN MAJOR CITIES

	1981	1982	1983	1984	1985	1986	1987 ^a	1986				1987 ^a			
								I	II	III	IV	I	II	III	IV
Latin America ^b	6.6	7.0	8.1	8.2	7.3	6.2	5.8	6.6	6.6	6.3	5.5	6.1	6.1	5.9	5.1
Argentina ^c															
Buenos Aires	4.5	4.7	4.2	3.8	5.3	4.6	5.3	...	4.8	...	4.4	...	5.4	...	5.2
Córdoba	3.8	4.4	5.0	4.8	5.0	5.8	5.2	...	6.4	...	5.1	...	4.9	...	5.5
Greater Mendoza	4.8	4.1	4.5	3.5	3.7	4.2	3.4	...	4.9	...	3.4	...	3.6	...	3.1
Greater Rosario	5.8	8.4	6.3	6.5	10.7	7.0	7.8	...	6.8	...	7.2	...	7.3	...	8.3
Brazil ^d															
Rio de Janeiro	8.6	6.6	6.2	6.8	4.9	3.7	3.3	4.0	3.9	3.5	2.6	3.1	3.5	3.5	2.9
Sao Paulo	7.3	6.0	6.8	6.8	5.0	3.3	3.8	4.2	3.7	3.1	2.4	3.2	3.9	4.4	3.6
Recife	8.6	7.5	8.0	9.0	7.2	4.6	5.2	4.9	5.0	4.4	3.3	4.1	5.6	6.0	5.0
Porto Alegre	5.8	5.2	6.7	7.0	5.4	4.4	3.9	4.7	4.5	3.7	2.6	3.6	3.9	4.7	3.5
Colombia ^e															
Bogotá	5.5	7.4	9.4	12.2	12.8	13.2	11.1	14.3	14.2	12.6	11.5	13.0	12.0	10.5	8.9
Barranquilla	11.1	10.4	13.8	13.0	15.7	16.4	13.0	16.0	18.1	15.8	15.6	16.1	11.9	13.6	10.2
Medellín	...	13.3	17.0	16.4	16.0	15.2	12.2	15.1	17.2	14.6	14.0	12.4	12.5	11.1	12.9
Cali	...	9.6	11.6	13.3	14.4	12.7	12.4	12.4	13.5	12.6	12.1	13.8	12.4	12.7	10.6
Mexico ^f															
Mexico City	3.9	4.0	6.3	5.8	4.9	5.1	4.1	4.9	4.4	5.8	5.1	5.0	4.5	4.3	2.5
Guadalajara	5.8	5.0	7.4	6.1	3.4	3.2	3.1	2.6	2.6	4.2	3.4	3.6	2.9	3.2	2.7
Monterrey	4.2	4.9	9.8	7.5	5.4	5.4	5.5	5.0	4.8	6.0	5.6	6.0	5.7	5.8	4.5
Paraguay ^g															
Asunción	2.2	5.6	8.4	7.4	5.2	6.1	5.6	...	...	6.1	...	...	...	5.6	...
Venezuela ^h															
Caracas	5.7	7.0	10.5	11.3	13.2	9.6	7.9	...	10.6	...	8.5	...	9.0	...	6.8
Peru ⁱ															
Lima	6.8	6.6	9.0	8.9	10.4	5.4	4.8	...	5.4	...	...	...	4.8	...	...
Uruguay ^j															
Montevideo	6.6	11.9	15.5	14.0	13.1	10.7	9.3	12.0	10.7	10.9	9.2	9.8	9.1	8.9	9.4
Costa Rica ^k															
San José	9.3	10.5	8.5	6.6	6.5	...	...	...	...	...	...	...	...	...	...
Chile ^l															
Santiago	11.1	22.1	22.2	19.3	16.3	13.5	12.3	14.5	15.4	13.5	10.6	13.1	13.5	11.8	10.6

Source: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Weighted average for the 25 largest cities in Latin America except (for want of comparable data): Havana, Santo Domingo, Fortaleza, Curitiba, Guayaquil, San Juan (Puerto Rico) and Guatemala City. ^c Figures correspond to April and October. ^d Twelve-month average; 1980: June-December average. ^e Figures for March, June, September and December; 1985: March, July, September and December; 1986: April, June, September and December. ^f Quarterly average. ^g Includes Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo. ^h Caracas Metropolitan Areas, two-semester average; 1985 first half of year. ⁱ Metropolitan Lima; 1985: official estimates; 1987: June. ^j 1980: two-semester average; 1981-1986: four-quarter average. ^k Metropolitan area; figures correspond to March, July and November. ^l Greater Santiago; figures correspond to March, June, September and December.

Table 6
LATIN AMERICA: GROSS DOMESTIC PRODUCT, BY BRANCHES OF ECONOMIC ACTIVITY,
AT 1980 MARKET PRICES

(Growth rates)

	Agriculture		Mining and quarrying		Manufacturing		Construction		Subtotal, goods		Basic services		Other services	
	1986	1987 ^a	1986	1987 ^a	1986	1987 ^a	1986	1987 ^a	1986	1987 ^a	1986	1987 ^a	1986	1987 ^a
Latin America ^b	-2.8	6.9	3.8	-2.0	-6.4	2.0	6.0	1.7	3.7	2.7	4.1	4.6	3.2	2.2
Argentina	-2.8	1.8	-0.5	-1.9	12.9	-0.6	9.0	14.8	7.4	1.3	4.6	3.1	-4.7	1.5
Bolivia	-4.7	-0.2	-15.6	3.5	2.1	5.0	-7.9	5.6	-6.4	2.1	3.1	5.2	-0.8	2.1
Brazil	-7.9	14.0	3.7	-0.7	11.2	1.0	17.7	-3.9	7.1	3.1	6.5	5.1	7.4 ^c	2.2 ^c
Colombia	3.3	5.8	50.1	11.7	6.6	5.9	0.2	2.1	8.2	6.1	3.0	4.9	3.9	4.6
Costa Rica	4.2	-2.5	...	...	7.2 ^d	5.5 ^d	2.7	4.4	5.4	1.8	5.4	6.3	-5.2	4.9
Cuba ^e	3.2	-2.2	12.7 ^f	-1.8 ^f	0.5	-4.1	0.9	-7.2	1.6	-3.8	1.4	-0.1	0.6 ^g	-4.4 ^g
Chile	8.8	3.2	1.4	-	8.0	5.5	1.3	10.6	5.8	4.4	7.5	8.0	-1.6	4.8
Ecuador	10.2	7.4	4.4 ^h	-41.1 ^h	-2.2	-0.1	-3.4	1.4	3.7	-18.5	11.3	6.0	1.6	3.5
El Salvador	-3.1	2.5	2.6	12.8	2.5	3.0	2.6	13.9	-0.9	3.5	0.3	3.1	1.7	1.8
Guatemala	-0.9	1.8	30.8	2.4	0.7	1.5	3.2	7.4	0.1	2.0	2.5	5.6	-	2.6
Haiti	2.4	-	-10.2	-	-2.9	-3.2	-6.0	0.6	-0.1	-0.8	3.3	3.5	0.2	-0.9
Honduras	1.7	7.2	-3.4	-12.8	0.5	3.9	-8.2	2.0	-	4.6	5.8	4.2	4.6	4.2
Mexico	-2.7	1.5	-4.3	4.2	-5.7	2.0	-10.2	1.7	-5.5	2.1	-2.4	2.6	-2.9	0.9
Nicaragua	-6.9	2.0	31.5	3.0	1.9	1.1	-	14.0	-2.0	2.3	3.6	2.3	0.5	0.9
Panama	-2.2	8.2	4.2	8.0	2.6	4.5	7.4	-6.6	1.6	3.6	1.4	3.5	4.1	2.0
Paraguay	-6.1	7.0	11.9	6.0	-1.4	3.5	1.0	2.0	-3.8	5.4	7.1	6.0	3.0	3.2
Peru	5.4	4.4	-4.6	-2.3	15.9	11.6	24.1	15.8	8.1	6.8	9.0	7.5	9.1	6.0
Dominican Republic	-0.8	2.9	-11.3	24.1	6.9	9.0	15.5	43.7	2.6	13.5	3.3	8.4	2.2	1.7
Uruguay	6.7	0.8	...	...	12.1	11.0	-1.7	10.4	9.7	8.6	8.4	5.4	4.7 ^d	2.6 ^d
Venezuela	8.3	4.1	7.7	2.4	7.0	2.5	9.8	4.3	7.6	2.8	8.7	7.7	4.5	4.2

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bExcluding Cuba.

^cExcludes real estate and community, social and personal services, except the government service.

^dIncludes mining and

quarrying.

^eRefers to social product.

^fIncludes metallurgy.

^gRefers to commerce and other productivity activities in the non-material sphere.

^hIncludes petroleum

refining, which official figures include under crude oil extraction.

Table 7

**LATIN AMERICA: TOTAL SUPPLY, DOMESTIC DEMAND
AND GROSS NATIONAL INCOME AT 1980 PRICES^a**

	Indexes (1980 = 100)			Growth rates					Cumulative variation
	1985	1986	1987 ^b	1983	1984	1985	1986	1987 ^b	1980- 1987 ^b
1. Total supply (2 + 3)	99.2	103.2	106.2	-5.0	4.0	3.4	4.0	2.9	6.2
2. Gross domestic product at market prices	104.4	108.5	111.3	-2.5	3.9	3.8	3.9	2.7	11.3
3. Imports of goods and services	67.7	71.2	75.4	-23.2	5.7	0.2	5.2	5.9	-24.6
4. Exports of goods and services	126.6	123.2	131.5	7.8	8.4	1.2	-2.7	6.7	31.5
5. Domestic availability of goods and services (2 + 3 - 4) = domestic demand (6 + 7)	95.1	100.2	102.4	-7.2	3.1	3.8	5.3	2.2	2.4
6. Final consumer expenditure ^c	101.0	106.1	108.6	-4.0	3.7	3.4	5.1	2.4	18.6
7. Gross fixed capital formation	74.4	79.3	80.6	-19.9	0.7	5.6	6.6	1.6	-19.4
8. Terms-of-trade effect	...	...	...	...	...	...	...	...	...
9. Net factor payments to rest of world	194.7	179.3	161.7	-5.7	6.0	-2.5	-7.9	-9.2	61.7
10. Real gross national income	98.6	102.0	105.2	-2.6	4.3	3.3	3.5	3.3	5.2

Source: ECLAC, on the basis of official figures.

^aNineteen countries.^bPreliminary figures.^cIncludes variation in stocks.

Table 8

**LATIN AMERICA: RELATIVE SHARES OF COMPONENTS OF
GROSS DOMESTIC PRODUCT AND OF GROSS NATIONAL
INCOME AT 1980 MARKET PRICES^a**

(GDP = 100)

	Total final consumer expend- iture ^b	Gross fixed capital formation	Domestic demand	Exports of goods and services	Imports of goods and services	Terms- of-trade effect	Net factor payments to rest of world	Real gross national income
1971- 1975	76.6	20.6	97.2	17.5	14.7	-4.0	1.9	94.1
1976- 1979	77.9	22.4	100.3	15.1	15.4	-1.2	2.2	96.6
1980	79.0	22.4	101.4	15.2	16.6	-	2.7	97.3
1981	78.9	22.1	101.0	16.0	17.0	-0.7	3.8	95.5
1982	77.9	19.7	97.6	16.3	13.9	-2.6	5.4	92.0
1983	76.7	16.2	92.9	18.1	11.0	-3.0	5.2	91.8
1984	76.6	15.7	92.3	18.9	11.2	-2.6	5.3	92.1
1985	76.4	16.0	92.4	18.4	10.8	-3.3	5.0	91.7
1986	77.3	16.4	93.7	17.2	10.9	-4.3	4.4	91.3
1987 ^c	77.1	16.2	93.3	17.9	11.3	-4.3	3.9	91.8

Source: ECLAC, on the basis of official figures.

^aNineteen countries.

^bIncludes variation in stocks.

^cPreliminary figures.

Table 9

LATIN AMERICA: GROSS FIXED CAPITAL FORMATION

(Indexes: 1980 = 100)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Latin America	88.3	92.8	100.0	99.3	87.2	69.9	70.4	74.4	79.3	80.6
Argentina	88.9	95.0	100.0	82.4	59.8	56.7	51.5	45.5	49.1	56.3
Bolivia	141.6	131.7	100.0	97.6	69.4	69.8	65.9	59.8	58.0	60.8
Brazil	88.1	92.2	100.0	86.8	82.1	68.1	70.9	79.2	94.3	91.4
Colombia	85.2	88.4	100.0	106.3	109.5	110.8	112.1	106.3	114.9	121.2
Costa Rica	95.8	110.4	100.0	75.1	54.3	58.7	74.1	78.1	84.5	91.7
Chile	70.3	82.1	100.0	116.8	77.2	65.7	71.6	82.2	88.0	102.3
Ecuador	94.6	94.3	100.0	92.8	93.4	69.0	65.9	70.4	72.5	77.4
El Salvador	164.7	139.0	100.0	89.2	80.3	74.3	76.0	83.8	90.1	97.3
Guatemala	117.0	111.0	100.0	107.8	96.0	69.3	63.1	59.1	59.7	65.5 ¹
Haiti	89.8	107.2	100.0	117.5	100.9	102.3	105.6	116.8	114.9	116.1
Honduras	93.1	91.1	100.0	77.3	63.9	73.2	87.9	84.8	73.7	75.9
Mexico	72.4	87.1	100.0	116.3	96.8	69.4	73.9	79.9	70.3	69.8
Nicaragua	113.1	39.7	100.0	160.1	129.3	135.4	138.3	139.9	131.4	122.5
Panama	83.0	82.1	100.0	116.7	117.8	91.2	85.0	90.8	99.7	94.7
Paraguay	68.7	82.2	100.0	118.1	96.3	79.1	79.8	80.0	82.5	83.8
Peru	78.6	82.1	100.0	116.2	113.8	80.8	75.8	67.8	84.2	97.7
Dominican Republic	84.2	95.7	100.0	91.5	79.6	92.2	92.8	87.2	97.1	134.9
Uruguay	79.1	94.1	100.0	97.0	82.6	55.5	48.2	37.0	39.7	47.6
Venezuela	146.3	117.0	100.0	103.1	99.2	73.1	59.3	62.5	72.1	71.5

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

Table 10

**LATIN AMERICA: FINANCING OF GROSS
CAPITAL FORMATION**

	1971- 1975	1976- 1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Coefficients in terms of gross domestic product										
1. Gross domestic savings	24.8	22.9	22.3	22.2	22.4	22.3	23.5	23.7	22.2	23.2
2. Net external factor payments	1.9	2.2	2.7	3.8	5.4	5.2	5.3	5.0	4.4	3.9
3. Unrequited private external transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
4. Terms-of-trade effect	-4.0	-1.2	-	-0.7	-2.6	-3.0	-2.6	-3.3	-4.3	-4.3
5. Gross national savings (1 - 2 + 3 + 4)	19.0	19.6	19.7	17.8	14.5	14.2	15.7	15.6	13.7	15.2
6. External savings	3.0	3.5	4.0	5.4	5.4	1.0	0.2	0.5	2.2	1.4
7. Gross capital formation (5 + 6)	22.0	23.1	23.7	23.2	19.9	15.2	15.9	16.1	15.9	16.6
Coefficients										
Domestic savings/gross capital formation	114.2	98.9	94.0	95.8	112.2	146.7	148.5	147.4	139.8	140.3
Deterioration in terms of trade/domestic savings	16.0	4.9	-	3.4	11.7	13.4	10.8	13.9	19.3	18.6
Net external factor payments/domestic savings	7.7	9.8	12.0	17.1	24.1	23.3	22.6	21.1	19.9	16.8

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 11

LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES

(December-December variations)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Latin America and the Caribbean	40.8	38.9	54.0	56.0	57.5	84.6	130.8	184.8	274.7	64.5	198.3
Argentina	160.4	169.8	139.7	87.6	131.2	209.7	433.7	688.0	385.4	81.9	174.8
Bahamas	4.6	6.6	11.5	12.1	9.0	4.5	3.5	4.5	4.8	6.8	6.1 ^b
Barbados	9.9	11.3	16.8	16.1	12.3	6.9	5.5	5.1	2.4	-0.5	6.3
Bolivia	10.5	13.5	45.5	23.9	25.2	296.5	328.5	2 177.2	8 170.5	66.0	10.7
Brazil ^c	43.1	38.1	76.0	95.3	91.2	97.9	179.2	203.3	228.0	58.4	366.0
Colombia ^d	29.3	17.8	29.8	26.5	27.5	24.1	16.5	18.3	22.3	21.0	24.0
Costa Rica	5.3	8.1	13.2	17.8	65.1	81.7	10.7	17.3	11.1	15.4	16.4
Chile	63.5	30.3	38.9	31.2	9.5	20.7	23.6	23.0	26.4	17.4	21.5
Dominica	8.5	9.3	34.3	...	...	...	2.6	2.9	4.0	3.2	2.8 ^e
Ecuador ^f	9.8	11.8	9.0	14.5	17.9	24.3	52.5	25.1	24.4	27.3	32.5
El Salvador	14.9	14.6	14.8	18.6	11.6	13.8	15.5	9.8	30.8	30.3	20.1
Grenada	...	...	...	17.6	...	...	...	...	1.8	-0.8	-1.2 ^g
Guatemala	7.4	9.1	13.7	9.1	8.7	-2.0	15.4	5.2	31.5	25.7	8.6
Guyana	9.0	20.0	19.4	8.5	29.0	19.3	9.6	...	...	...	...
Haiti	5.5	5.5	15.4	15.6	16.4	4.9	11.2	5.4	17.4	-11.4	-4.1
Honduras	7.7	5.4	22.5	11.5	9.2	8.8	7.2	3.7	4.2	3.2	2.9
Jamaica	14.1	49.4	19.8	28.6	4.8	7.0	16.7	31.2	23.9	10.4	6.9
Mexico	20.7	16.2	20.0	29.8	28.7	98.8	80.8	59.2	63.7	105.7	159.2
Nicaragua	10.2	4.3	70.3	24.8	23.2	22.2	32.9	50.2	334.3	747.4	1 338.9
Panama	4.8	5.0	10.0	14.4	4.8	3.7	2.0	0.9	0.4	0.4	0.9
Paraguay	9.4	16.8	35.7	8.9	15.0	4.2	14.1	29.8	23.1	24.1	32.0
Peru	32.4	73.7	66.7	59.7	72.7	72.9	125.1	111.5	158.3	62.9	114.5
Dominican Republic ^h	8.5	1.8	25.6	4.6	7.3	7.2	7.7	38.1	28.4	6.5	25.0
St. Lucia	8.8	8.6	15.4	21.1	9.5	0.6	1.3	1.2	1.0	4.5	9.4 ⁱ
Suriname	4.2	10.9	15.6	5.7	9.0	1.0	4.2	4.5	15.6	30.2	...
Trinidad and Tobago	11.4	8.8	19.5	16.6	11.6	10.8	15.4	14.1	6.6	9.9	11.5
Uruguay	57.3	46.0	83.1	42.8	29.4	20.5	51.5	66.1	83.0	76.4	57.3
Venezuela	8.1	7.1	20.5	19.6	11.0	7.3	7.0	18.3	5.7	12.3	40.3

Source: International Monetary Fund, *International Financial Statistics*, and information provided by the countries

^aPreliminary figures. ^bCorresponds to the variation between April 1986 and April 1987. ^cUp to 1979, corresponds to the variation in the consumer price index for the city of Rio de Janeiro; from 1980 on, refers to the variation in the nationwide index. ^dUp to 1980, corresponds to the variation in the consumer price index for manual workers; from 1981 on, refers to the variation in the nationwide index, which includes both manual and non-manual workers. ^eCorresponds to the variation between October 1986 and October 1987. ^fUp to 1982, corresponds to the variation in the consumer price index for the city of Quito; from 1983 on, refers to the variation in the nationwide index. ^gCorresponds to the variation between August 1986 and August 1987. ^hUp to 1982, corresponds to the variation in the consumer price index for the city of Santo Domingo; from 1983 on, refers to the variation in the nationwide index. ⁱCorresponds to the variation between May 1986 and May 1987.

Table 12

LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Annual average indexes (1980 = 100)										
Argentina ^b	77.9	89.5	100.0	89.4	80.1	100.5	127.1	107.8	109.5	103.0
Brazil										
Rio de Janeiro ^c	93.9	95.1	100.0	108.5	121.6	112.7	105.1	112.7	121.8	102.7
São Paulo ^d	85.7	92.3	100.0	104.7	107.2	94.0	97.9	120.4	150.7	142.2
Colombia ^e	93.2	99.3	100.0	101.4	105.2	110.4	118.7	114.9	120.2	119.4
Costa Rica ^f	94.7	99.2	100.0	88.3	70.8	78.5	84.7	92.2	97.8	...
Chile ^g	84.7	91.8	100.0	108.9	108.6	97.1	97.2	93.5	95.1	94.7
Guatemala ^h	...	99.9	100.0	117.6	124.7	126.2	114.8	99.2	81.0	86.5
Mexico ⁱ	104.4	102.9	100.0	103.6	104.4	80.7	75.4	76.6	72.3	72.8
Nicaragua ^j	...	...	100.0	101.1	96.0	97.6	90.9	85.7	59.9	39.3
Panama ^k	...	104.8	100.0	98.7	94.1	98.2	105.8	107.0	110.0	...
Paraguay ^l	...	99.4	100.0	105.3	102.4	95.2	91.8	89.9	107.9	122.1
Peru ^m	94.9	88.9	100.0	101.8	110.2	93.4	87.2	80.4	99.9	104.7
Uruguay ⁿ	109.1	100.4	100.0	107.5	107.1	84.9	77.1	88.1	94.0	98.5
Percentage variation ^o										
Argentina	-1.8	14.3	11.8	-10.6	-10.4	25.5	26.4	-15.2	1.6	5.9
Brazil										
Rio de Janeiro	5.4	1.3	5.2	8.5	12.1	-7.3	-6.7	7.1	8.1	-15.7
São Paulo	12.2	7.7	8.4	4.7	2.4	-12.3	4.1	23.0	25.1	-5.7
Colombia	11.5	6.5	0.8	1.4	3.7	5.0	7.3	-3.0	4.9	-0.7
Costa Rica	8.8	4.8	0.8	-11.7	-19.8	10.9	7.8	8.9	6.1	...
Chile	6.5	8.3	9.0	9.1	-0.2	-10.7	0.1	-3.8	1.7	-0.3
Guatemala	...	...	0.1	17.6	6.0	-1.2	-9.0	-13.6	-18.3	6.8
Mexico	-2.1	-1.4	-2.9	3.5	0.9	-22.7	-6.6	1.6	-5.6	0.7
Nicaragua	...	...	...	1.1	-5.0	1.7	-6.9	-5.7	-30.1	-34.1
Panama	...	-0.1	-4.6	-1.3	-4.7	4.4	7.7	1.1	2.8	...
Paraguay	...	-6.5	0.7	5.3	-2.7	-7.1	-3.5	-2.1	20.0	13.2
Peru	-12.7	-6.3	12.4	1.8	8.2	-15.3	-6.6	-7.8	24.3	4.8
Uruguay	-3.6	-8.1	-0.4	7.5	-0.3	-20.7	-9.1	14.1	6.7	4.8

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bAverage total monthly wages in manufacturing. Average for twelve months. ^cAverage wages in basic industry, deflated by the CPI for Rio de Janeiro. Average for twelve months. ^dAverage wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. Average for twelve months. ^eWages of manual workers in manufacturing. Average for twelve months. ^fAverage wages declared by workers covered by social security. ^gAverage remuneration of wage-earners in non-agricultural sectors. Average for twelve months. ^hAverage remunerations of workers covered by social security. ⁱAverage wages in manufacturing. Average for twelve months. ^jAverage remunerations of workers covered by social security, deflated by the implicit price index of the gross domestic product. ^kAverage industrial wage in the districts of Panama and Colón. Average for twelve months. ^lWages of manual workers in Asunción. Average of June and December. ^mWages of private-sector workers in Metropolitan Lima. Average for twelve months. ⁿIndex of average real wages. Average for twelve months. ^oCompared with the same period in the previous year.

Table 13

LATIN AMERICA: REAL URBAN MINIMUM WAGE

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Average annual indexes (1980 = 100)										
Argentina ^b	81.0	85.3	100.0	97.8	97.8	136.9	167.7	117.1	111.1	122.3
Brazil ^f	97.7	97.5	100.0	104.4	104.9	93.0	86.0	88.8	87.1	71.2
Colombia ^d	89.5	97.5	100.0	98.9	103.6	107.9	113.5	109.4	114.2	113.0
Costa Rica ^b	96.0	98.5	100.0	90.4	85.9	99.3	104.4	112.2	118.7	118.6
Chile ^e	100.7	99.8	100.0	115.7	117.2	94.2	80.7	76.4	73.6	69.1
Ecuador ^f	48.1	60.4	100.0	86.2	75.9	63.6	62.8	60.4	65.0	61.4
El Salvador ^g	90.3	87.7	100.0	96.8	86.6	76.5	76.8	66.2	57.5	46.3
Guatemala ^b	70.0	62.5	100.0	107.5	107.5	102.5	99.1	83.6	...	...
Haiti ^h	94.1	85.8	100.0	96.3	100.8	94.0	87.1	91.3	84.8	...
Honduras ⁱ	100.0	109.2	100.0	105.6	104.5	96.6	92.1	88.8	85.1	83.1
Mexico ^j	108.6	107.2	100.0	101.9	92.7	76.6	72.3	71.7	64.9	60.6
Nicaragua ^k	119.8	112.7	100.0	90.2	74.4	56.7	63.6	45.1	...	...
Panama ^l	115.7	113.6	100.0	93.3	89.4	102.1	100.8	99.7	99.9	...
Paraguay ^m	94.8	92.4	100.0	103.9	101.9	94.2	93.8	99.6	108.3	122.6
Peru ⁿ	72.3	80.8	100.0	84.2	77.8	89.2	69.0	60.3	62.5	64.0
Dominican Republic ^b	94.7	105.0	100.0	93.0	86.4	80.8	82.0	80.2	86.0	...
Uruguay ^o	113.6	104.8	100.0	103.4	104.6	89.6	89.9	94.1	88.3	91.1
Venezuela ^p	69.3	61.6	100.0	86.2	78.5	73.9	66.5	96.8	92.3	95.3
Percentage variation ^q										
Argentina	-18.8	13.7	17.3	-4.8	1.8	41.1	26.0	-32.5	-5.1	10.1
Brazil	...	-0.2	2.6	6.1	0.7	-10.2	-8.8	1.7	-0.1	-18.3
Colombia	13.1	10.7	2.5	-1.1	4.3	4.1	5.6	-3.8	4.4	-1.1
Costa Rica	11.4	2.6	1.4	-9.6	-5.1	15.7	5.2	7.4	5.7	-
Chile	26.5	-0.8	0.2	15.9	1.3	-19.6	-14.4	-5.3	-3.6	-6.1
Ecuador	-10.6	25.7	65.5	-13.8	-11.9	-16.2	-1.3	-3.1	7.6	-5.6
El Salvador	-	-2.9	8.6	-3.2	-10.5	-11.7	0.4	-13.8	-13.2	-19.9
Guatemala	-9.7	-10.7	59.9	7.5	-	-4.7	-3.3	-15.6	...	...
Haiti	26.6	-8.8	16.5	-3.7	4.7	-6.7	-7.3	4.8	-7.1	...
Honduras	-4.4	11.5	-8.3	5.0	-0.5	-7.7	-4.5	-3.3	-4.2	-2.4
Mexico	-3.4	-1.3	-6.7	1.9	-9.0	-17.4	-5.6	-1.7	-8.8	-6.6
Nicaragua	...	-5.9	-11.3	-9.8	-17.5	-23.8	12.1	-29.1	...	...
Panama	-4.0	-1.8	-12.0	-6.7	-4.2	14.2	-1.3	-1.1	0.1	...
Paraguay	3.1	-2.5	8.0	3.9	-1.9	-7.5	-0.5	6.2	8.8	13.2
Peru	-23.2	11.7	27.5	-15.8	-7.6	2.4	-22.7	-12.6	3.6	1.5
Dominican Republic	...	9.7	-4.8	-7.0	-7.1	-6.5	1.5	-2.2	7.2	...
Uruguay	-0.5	-7.7	-4.6	3.4	1.2	-14.3	0.3	4.7	-6.1	3.2
Venezuela	-6.8	-11.1	62.3	-14.1	-8.9	-5.9	-10.0	45.5	-4.7	3.3

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bNational minimum wage. ^cMinimum wage for the city of Rio de Janeiro, deflated by the corresponding consumer price index. ^dMinimum wage for upper urban sectors. ^eMinimum income. ^fMinimum overall living wage, calculated on the basis of annual minimum living wages and legal supplementary benefits. ^gMinimum wage for non-agricultural activities in San Salvador. ^hMinimum daily wage paid in industrial firms. ⁱMinimum wage in the Central District and Pedro Sula for manufacturing. ^jMinimum wage in Mexico City, deflated by the corresponding consumer price index. ^kMinimum wage for industrial workers in the Department of Managua. ^lMinimum wage applying to all activities except construction and domestic service. ^mMinimum wage in Asunción and Puerto Stroessner. ⁿMinimum wage in Metropolitan Lima for non-agricultural activities. ^oNational minimum wage for workers over 18 years of age. ^pNational minimum wage for non-agricultural activities, deflated by the consumer price index corresponding to the lowest-income quartile. ^qIn comparison to the same period of the preceding year.

Table 14

LATIN AMERICA: VARIATIONS IN EXPORTS AND IMPORTS OF GOODS

(Growth rates)

	Exports			Imports		
	Value	Volume	Unit value	Value	Volume	Unit value
Latin America						
1973	44.3	8.1	33.3	32.8	13.8	16.6
1974	54.9	-6.5	65.7	72.1	19.3	44.2
1975	-8.0	-10.3	2.6	6.4	-3.4	10.2
1976	16.4	8.3	7.5	3.9	2.6	1.2
1977	19.4	1.9	17.2	15.1	6.8	7.7
1978	7.6	7.2	0.3	13.8	4.4	9.1
1979	34.5	9.7	22.7	25.8	7.6	16.9
1980	32.3	4.4	26.6	34.9	11.1	21.4
1981	7.6	8.3	-0.7	8.1	2.8	5.1
1982	-8.8	1.4	-10.0	-19.9	-18.9	-1.2
1983	-	8.8	-8.1	-28.5	-21.4	-9.1
1984	11.8	9.3	2.3	4.1	8.5	-3.9
1985	-6.1	0.3	-6.3	-0.3	1.7	-4.4
1986	-15.4	-4.2	-11.7	2.3	7.0	-4.4
1987 ^a	13.7	6.5	6.8	12.4	6.2	5.9
Oil-exporting countries^b						
1973	51.4	10.5	37.0	21.0	3.9	16.5
1974	131.2	-12.2	163.3	57.8	20.5	31.0
1975	-19.9	-23.0	4.0	36.7	25.0	9.4
1976	9.3	6.6	2.3	7.4	6.5	0.8
1977	12.4	-1.3	13.8	18.8	11.2	7.0
1978	8.3	6.5	1.8	16.7	4.3	11.9
1979	53.7	11.8	37.5	16.1	4.4	11.3
1980	42.3	0.2	42.0	32.5	16.4	13.8
1981	9.6	4.8	4.6	21.0	16.0	4.2
1982	-5.5	6.6	-11.4	-20.2	-19.2	-1.2
1983	-2.3	7.7	-9.3	-43.1	-34.1	-13.6
1984	8.5	8.3	0.1	15.5	17.6	-1.8
1985	-9.2	-5.7	-3.7	8.2	10.9	-2.4
1986	-29.4	2.2	-30.9	-1.9	0.6	-2.4
1987 ^a	21.3	6.0	14.6	11.7	7.5	3.9
Non-oil-exporting countries^c						
1973	42.2	6.2	33.9	35.2	16.6	16.0
1974	31.0	-1.6	33.1	74.3	19.1	46.3
1975	-1.2	-0.1	-1.1	1.7	-7.3	9.7
1976	22.0	10.1	10.8	1.5	0.4	1.1
1977	24.1	5.2	18.1	12.4	4.3	7.8
1978	7.0	7.8	-0.8	11.7	4.4	7.1
1979	22.4	7.8	13.5	33.2	9.5	21.5
1980	24.3	8.6	14.4	36.5	7.9	26.6
1981	5.7	11.6	-5.4	-0.3	-5.8	5.8
1982	-11.9	-3.0	-9.2	-19.5	-18.6	-1.1
1983	2.4	9.8	-6.7	-17.1	-11.2	-6.6
1984	15.2	10.2	4.6	-2.2	3.1	-4.7
1985	-3.3	5.8	-8.5	-5.8	-4.6	-1.3
1986	-3.5	-9.3	6.4	5.4	12.0	-5.9
1987 ^a	9.0	7.0	1.8	12.8	5.3	6.7

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.^b Up to 1975, includes Bolivia, Ecuador and Venezuela; from 1976 onwards, includes Mexico and Peru in addition to foregoing countries.^c From 1976 onwards, does not include Mexico or Peru.

Table 15

LATIN AMERICA: EXPORTS OF GOODS FOB

(Indexes: 1980 = 100 and growth rates)

	Value				Unit value				Volume			
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1987 ^a	1985	1986	1987 ^a	1987 ^a	1985	1986	1987 ^a	1987 ^a	1985	1986	1987 ^a
Latin America	99	-6.1	-15.4	13.7	74	-6.3	-11.7	6.8	134	0.3	-4.2	6.5
Oil-exporting countries	85	-9.2	-29.4	21.3	64	-3.7	-30.9	14.6	133	-5.7	2.2	6.0
Bolivia	50	-13.9	-12.5	-13.8	74	-0.3	-23.2	-4.0	68	-13.7	13.9	-10.2
Ecuador	80	10.8	-24.8	-7.7	57	-3.7	-29.1	2.1	140	15.0	6.2	-9.7
Mexico	117	-10.5	-26.0	28.9	62	-1.4	-27.4	10.9	206	-9.2	1.9	16.3
Peru	67	-5.4	-15.7	3.9	75	-1.7	-14.1	7.2	89	-3.8	-2.0	-3.1
Venezuela	55	-11.2	-39.0	22.2	67	-8.0	-40.4	29.1	83	-3.5	2.4	-5.4
Non-oil-exporting countries	112	-3.2	-3.5	9.0	83	-8.5	6.4	1.8	135	5.8	-9.3	7.0
Argentina	77	3.9	-18.6	-9.5	71	-13.5	-6.6	4.7	108	20.2	-12.9	-13.6
Brazil	130	-5.4	-12.1	16.8	87	-6.8	6.8	4.4	150	1.5	-17.7	11.8
Colombia	134	-14.6	47.3	-0.9	84	-5.8	18.1	-19.4	159	-9.4	24.7	22.9
Costa Rica	111	-5.6	15.2	2.8	88	-1.0	14.1	-6.8	126	-4.7	1.0	10.3
Chile	111	4.2	10.4	24.4	72	-11.8	3.5	17.6	154	18.1	6.6	5.8
El Salvador	53	-6.5	11.2	-24.1	64	-4.2	21.9	-28.4	83	-2.4	-8.7	5.9
Guatemala	63	-5.8	-1.7	-8.0	78	-7.0	19.6	-18.0	81	1.3	-17.8	12.2
Haiti	92	3.9	-14.4	3.8	93	2.7	19.0	-6.4	98	1.2	-28.1	10.9
Honduras	102	8.0	11.9	-4.2	94	-8.9	15.5	-9.6	108	18.5	-3.1	6.0
Nicaragua	62	-21.8	-18.0	13.7	95	-6.0	3.4	3.8	66	-16.8	-20.7	9.5
Panama	111	17.6	21.2	5.1	105	-0.4	15.5	-3.5	106	18.1	4.9	8.9
Paraguay	200	15.2	-7.6	39.5	93	-20.6	-5.2	14.7	215	45.1	-2.5	21.6
Dominican Republic	74	-14.9	-2.2	-1.5	76	-15.5	-3.8	7.8	98	0.7	-9.3	2.4
Uruguay	112	-7.7	27.4	9.3	89	-7.1	1.5	12.0	127	-0.6	25.5	-2.4

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 16

LATIN AMERICA: IMPORTS OF GOODS FOB

(Indexes: 1980 = 100 and growth rates)

	Value				Unit value				Quantum			
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1987 ^a	1985	1986	1987 ^a	1987 ^a	1985	1986	1987 ^a	1987 ^a	1985	1986	1987 ^a
Latin America	74	-0.3	2.3	12.4	90	-4.4	-4.4	5.9	82	1.7	7.0	6.2
Oil-exporting countries	75	8.2	-1.9	11.7	86	-2.4	-2.4	3.9	87	10.9	0.6	7.5
Bolivia	114	12.3	28.9	10.3	88	3.7	-4.3	-1.2	131	8.2	34.6	11.6
Ecuador	91	2.8	1.2	25.6	80	-4.8	-5.7	3.7	114	8.0	7.3	21.1
Mexico	65	17.4	-13.4	6.7	91	-3.0	-2.4	5.0	71	21.1	-11.2	1.7
Peru	99	-15.5	38.9	22.1	84	-6.4	-1.2	2.6	119	-9.7	40.7	19.0
Venezuela	81	1.7	6.0	12.7	83	-1.5	-0.9	3.9	98	3.2	7.1	8.5
Non-oil-exporting countries	73	-5.8	5.4	12.8	92	-1.3	-5.9	6.7	79	-4.6	12.0	5.3
Argentina	56	-14.4	24.6	19.1	100	5.0	4.0	7.0	56	-18.5	19.9	11.3
Brazil	66	-5.7	6.7	7.4	95	-4.1	-7.6	9.4	69	-1.6	15.5	-1.8
Colombia	91	-8.8	-5.1	12.1	92	3.0	-8.9	5.0	100	-11.4	4.2	6.7
Costa Rica	91	0.8	4.2	19.6	94	1.7	-5.3	5.0	97	-0.9	10.1	13.9
Chile	73	-12.0	4.9	28.9	87	-5.5	-4.8	12.5	84	-6.8	10.2	14.5
El Salvador	101	-2.1	-2.1	3.5	106	0.5	-5.0	5.0	96	-2.7	3.1	-1.4
Guatemala	84	-8.9	-18.9	40.9	92	-1.5	-7.9	4.5	91	-7.5	-11.9	34.9
Haiti	97	-3.5	-6.1	-4.7	104	-3.0	6.0	2.8	93	-0.5	-11.4	-7.3
Honduras	94	-	2.6	-0.9	105	6.3	-6.2	2.1	90	-6.0	9.4	-2.9
Nicaragua	86	0.1	-9.2	-4.9	95	1.1	-2.3	6.8	91	-1.0	-7.1	-10.9
Panama	101	9.1	9.4	1.6	89	-1.9	-6.9	2.6	113	11.2	17.6	-1.0
Paraguay	138	-1.7	1.2	27.0	69	-6.9	-6.9	5.3	202	5.6	8.7	20.6
Dominican Republic	102	2.3	-1.5	22.4	88	-0.8	-6.0	-5.2	117	3.1	4.8	16.4
Uruguay	65	-7.8	17.1	36.5	83	2.6	-12.7	8.3	78	-10.1	34.2	26.1

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 17

LATIN AMERICA: TERMS OF TRADE FOB/FOB (GOODS)

(Indexes: 1980 = 100)

	Latin America		Oil-exporting countries ^a		Non-oil-exporting countries ^b	
	Index	Variation	Index	Variation	Index	Variation
1976	91.4	6.2	66.8	1.5	116.7	9.6
1977	99.4	8.8	71.2	6.6	127.8	9.5
1978	91.4	-8.0	64.7	-9.1	118.5	-7.3
1979	95.9	4.9	80.1	23.8	110.6	-6.7
1980	100.0	4.3	100.0	24.8	100.0	-9.6
1981	94.5	-5.5	100.4	0.4	89.5	-10.5
1982	86.0	-9.0	90.2	-10.2	82.2	-8.2
1983	87.0	1.6	94.7	5.0	82.1	-0.1
1984	92.6	6.4	96.6	2.0	90.2	9.9
1985	88.5	-4.4	95.3	-1.3	83.6	-7.3
1986	81.7	-7.7	67.5	-29.2	94.5	13.0
1987 ^c	82.4	0.9	74.5	10.4	90.1	-4.7

Source: ECLAC, on the basis of official figures.

^aIncludes Bolivia, Ecuador, Mexico, Peru and Venezuela.^bIncludes Argentina, Brazil, Colombia, Costa Rica, Chile, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic and Uruguay.^cPreliminary figures.

Table 18
LATIN AMERICA: TERMS OF TRADE FOB/CIF (GOODS)

(Indexes: 1980 = 100 and growth rates)

	Indexes						Growth rates			
	1982	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Latin America	86	84	91	87	81	81	7.3	-3.4	-7.8	0.9
Oil-exporting countries	91	89	94	93	63	72	4.7	-0.3	-32.5	14.4
Bolivia	93	94	105	101	81	78	11.9	-3.9	-20.1	-3.5
Ecuador	98	81	92	93	70	69	13.5	1.7	-25.1	-1.1
Mexico	87	91	85	86	64	68	-7.5	1.7	-25.7	5.7
Peru	80	95	91	96	83	87	-4.0	5.0	-13.0	4.3
Venezuela	94	101	112	104	63	78	11.2	-7.5	-39.8	24.2
Non-oil-exporting countries	81	81	89	83	93	89	9.2	-7.0	12.7	-3.9
Argentina	85	81	96	80	72	71	18.9	-16.7	-9.5	-2.2
Brazil	80	78	85	83	95	91	9.6	-3.1	15.1	-4.5
Colombia	87	93	99	90	116	90	5.9	-8.5	28.8	-23.0
Costa Rica	83	84	87	85	102	90	3.5	-2.8	20.1	-11.3
Chile	75	82	76	71	77	81	-7.0	-6.9	8.6	4.7
El Salvador	93	82	71	68	87	59	-12.7	-5.0	28.0	-31.8
Guatemala	82	84	86	81	104	82	2.0	-6.1	29.2	-21.0
Haiti	73	65	79	82	94	86	22.2	3.8	-15.1	-9.2
Honduras	91	92	94	80	99	87	2.2	-14.2	22.7	-11.7
Nicaragua	85	82	103	94	99	97	25.3	-8.6	5.7	-2.7
Panama	83	94	97	98	122	115	3.2	1.6	23.7	-5.4
Paraguay	92	88	138	117	117	124	56.1	-15.0	-0.1	6.1
Dominican Republic	81	85	93	80	91	83	9.8	-14.8	14.5	-8.6
Uruguay	91	90	96	87	100	104	6.6	-9.4	15.0	3.5

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

Table 19
LATIN AMERICA AND THE CARIBBEAN: PRICES OF
MAIN EXPORT PRODUCTS

(Dollars at current prices)

	Annual averages					Growth rates				Cumulative variation
	1970- 1980	1984	1985	1986	1987	1984	1985	1986	1987	1987/ 1970-1980
Unrefined sugar ^a	12.8	5.2	4.1	6.1	6.8	38.8	-21.2	48.8	11.5	-46.9
Coffee (mild) ^a	121.8	147.3	155.9	220.0	123.5	4.0	5.8	41.1	-43.9	1.4
Cocoa ^a	86.3	108.7	102.3	93.8	90.6	13.1	-5.9	-8.3	-3.4	5.0
Bananas ^a	11.8	19.0	18.4	22.1	26.5	-6.9	-3.2	20.1	19.9	124.6
Wheat ^b	125.1	153.0	138.0	115.0	115.0	-3.2	-9.8	-16.7	-	-8.1
Maize ^b	127.5	167.3	135.3	112.9	109.4	3.1	-19.1	-16.6	-3.1	-14.2
Beef ^a	82.2	102.6	97.7	95.0	108.2	-7.3	-4.8	-2.8	13.9	31.6
Fish meal ^b	354.7	373.0	280.0	321.0	383.0	-17.7	-24.9	14.6	19.3	8.0
Soya beans ^b	232.4	282.0	225.0	208.0	216.0	-	-20.2	-7.6	3.8	-7.1
Cotton ^a	61.2	80.3	61.7	52.9	76.1	-5.3	-23.2	-14.3	43.9	24.3
Wool ^a	131.5	141.6	140.7	147.7	185.1	-1.7	-0.6	5.0	25.3	40.8
Copper ^a	69.6	62.5	64.3	62.3	80.8	-13.4	2.9	-3.1	29.7	16.1
Tin ^c	3.9	5.6	5.4	2.6	3.1	-5.1	-3.6	-51.9	19.2	-20.5
Iron ore ^b	17.6	22.4	22.0	21.6	22.1	-5.5	-1.8	-1.8	2.3	25.6
Lead ^a	25.3	20.1	17.7	18.4	27.1	4.1	-11.9	4.0	47.3	7.1
Zinc ^a	29.7	40.6	34.3	32.3	36.2	17.0	-15.5	-5.8	12.1	21.9
Bauxite ^b	103.5	165.0	164.3	165.2	164.8	-8.1	-0.4	0.5	-0.2	59.2
Crude oil ^d										
Saudi Arabia	10.0	28.5	28.0	13.7	17.5	-2.7	-1.8	-51.1	27.7	75.0
Venezuela	10.1	27.0	26.4	13.2	17.3	-3.9	-2.2	-50.0	31.1	71.3

Source: UNCTAD, *Monthly Bulletin of Commodity Prices*, Supplements, 1960-1984 and February 1988; International Monetary Fund, *International Financial Statistics, Yearbook*, 1981 and March 1988; *Petroleum Intelligence Weekly*, 1986, 1987 (several issues); ECLAC, on the basis of official figures.

Note: Unrefined sugar, FOB Caribbean ports, for export to the free market. Coffee, colombian mild arabica, *ex-dock* New York. Cocoa beans, average of daily prices (futures), New York/London. Central American Bananas, CIF Hamburg. Cotton, Mexican M 1-3/32", CIF Northern Europe. Wool, clean, combed, 50's quality United Kingdom. Beef, frozen, boneless, all sources, United States ports. Fish meal, all sources 61-65% protein, CIF Hamburg. Wheat, United States, No. 2, Hard Red Winter, FOB. Maize, Argentina, CIF, North Sea ports. Soya beans, United States, No. 2 yellow, in bulk, CIF Rotterdam. Copper, tin, lead and zinc, cash quotations on the London Metal Exchange. Iron ore, Liberia, C 61% Fe, CIF, North Sea ports. Bauxite, Guyana, (Baltimore). Oil, Venezuela (Tia Juana).

^aUS cents per pound. ^bDollars per metric ton. ^cDollars per pound. ^dDollars per barrel.

Table 20

LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS

(Indexes: 1980 = 100)

	Latin America		Oil-exporting countries ^a		Non-oil-exporting countries ^b	
	Index	Variation	Index	Variation	Index	Variation
1976	71.9	16.0	56.4	-17.3	86.1	21.0
1977	80.2	11.5	59.0	4.6	99.5	15.5
1978	79.4	-1.0	57.5	2.5	99.3	-0.2
1979	90.7	14.2	79.6	38.4	100.8	1.5
1980	100.0	10.2	100.0	25.6	100.0	-0.8
1981	102.0	2.0	105.2	5.2	99.2	-0.8
1982	93.9	-7.9	99.8	-5.1	88.5	-10.8
1983	104.4	11.4	113.2	13.4	96.4	8.9
1984	119.0	14.0	122.7	8.4	115.6	19.9
1985	114.1	-4.1	114.2	-6.9	113.9	-1.5
1986	100.0	-12.4	82.1	-28.1	116.2	2.0
1987 ^c	107.2	7.2	95.5	16.3	117.8	1.4

Source: ECLAC, on the basis of official figures.

^aIncludes Bolivia, Ecuador, Mexico, Peru and Venezuela.^bIncludes Argentina, Brazil, Colombia, Costa Rica, Chile, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic and Uruguay.^cPreliminary figures.

Table 21

LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS*(Indexes: 1980 = 100 and growth rates)*

	Indexes						Growth rates			
	1982	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Latin America	94	104	119	114	100	107	14.0	-4.1	-12.4	7.2
Oil-exporting countries	100	113	123	114	82	96	8.4	-6.9	-28.1	16.3
Bolivia	83	78	80	67	61	53	2.6	-17.0	-9.0	-13.3
Ecuador	99	89	117	136	108	97	31.3	17.0	-20.5	-10.6
Mexico	128	161	162	150	113	139	0.7	-7.7	-24.3	22.8
Peru	84	80	89	90	76	77	11.6	1.0	-14.5	1.0
Venezuela	80	85	99	88	55	64	17.2	-10.7	-38.4	17.6
Non-oil-exporting countries	89	96	116	114	116	118	19.9	-1.5	2.0	1.4
Argentina	98	106	115	115	91	77	8.8	0.2	-21.1	-15.5
Brazil	91	104	136	134	127	136	30.9	-1.6	-5.3	6.8
Colombia	73	77	113	94	150	142	47.3	-17.0	60.6	-5.3
Costa Rica	85	87	104	96	116	114	18.7	-7.3	21.3	-2.2
Chile	82	94	88	97	112	124	-6.2	9.8	15.9	10.7
El Salvador	61	68	63	58	68	49	-17.0	-7.2	16.8	-27.9
Guatemala	73	72	75	71	75	67	2.9	-5.0	6.2	-11.3
Haiti	77	82	96	101	84	84	17.6	5.0	-17.2	-0.7
Honduras	78	82	83	85	101	94	1.8	1.7	18.9	-6.4
Nicaragua	87	96	93	71	59	63	-3.5	-24.0	-16.1	6.6
Panama	101	76	76	92	119	122	-	19.9	29.6	3.1
Paraguay	98	84	172	212	206	266	103.7	23.3	-2.6	29.1
Dominican Republic	75	87	98	84	87	82	12.3	-14.2	3.8	-6.4
Uruguay	96	109	100	90	130	131	-7.8	-9.9	44.4	1.0

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 22

LATIN AMERICA: TRADE BALANCE

(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Merchandise trade balance			Net service payments ^a			Trade balance		
	1985	1986	1987	1985	1986	1987	1985	1986	1987	1985	1986	1987	1985	1986	1987
Latin America (19 countries)	91 971	77 804	88 495	58 190	59 545	66 900	33 786	18 258	21 595	3 616	3 782	3 453	30 168	14 475	18 143
Oil-exporting countries	42 350	29 917	36 315	24 488	24 025	26 829	17 865	5 891	9 486	1 220	711	107	16 643	5 180	9 379
Bolivia	623	546	470	463	597	658	161	-51	-188	149	127	135	11	-178	-323
Ecuador	2 905	2 186	2 017	1 611	1 631	2 048	1 294	555	-31	289	325	318	1 005	230	-349
Mexico	21 667	16 028	20 656	13 218	11 451	12 223	8 450	4 577	8 433	-777	-1 232	-2 077	9 226	5 808	10 510
Peru	2 977	2 508	2 605	1 808	2 512	3 068	1 169	-4	-463	173	304	395	996	-307	-858
Venezuela	14 178	8 649	10 567	7 388	7 834	8 832	6 791	814	1 735	1 386	1 187	1 336	5 405	-373	399
Non-oil-exporting countries	49 621	47 887	52 180	33 702	35 520	40 071	15 921	12 367	12 109	2 396	3 071	3 346	13 525	9 295	8 764
Argentina	8 419	6 851	6 200	3 524	4 391	5 230	4 895	2 460	970	534	896	820	4 361	1 564	150
Brazil	25 539	22 451	26 213	13 127	14 011	15 052	12 412	8 440	11 161	1 697	2 127	2 317	10 715	6 313	8 844
Colombia	3 650	5 375	5 325	3 674	3 485	3 907	-23	1 890	1 418	665	580	669	-688	1 310	749
Costa Rica	941	1 084	1 114	1 005	1 048	1 253	-64	36	-139	-	-8	2	-63	44	-141
Chile	3 804	4 199	5 224	2 954	3 099	3 994	850	1 100	1 230	338	388	457	512	712	773
El Salvador	679	755	573	895	876	907	-216	-121	-334	39	-19	-74	-255	-102	-260
Guatemala	1 065	1 048	964	1 078	874	1 232	-12	173	-268	85	52	106	-97	121	-374
Haiti	223	191	198	348	326	311	-125	-135	-113	98	69	101	-223	-204	-214
Honduras	805	901	863	879	902	894	-74	-1	-31	70	72	76	-144	-73	-107
Nicaragua	301	247	281	800	727	691	-499	-479	-410	88	83	70	-587	-563	-480
Panama	1 983	2 402	2 525	2 730	2 988	3 035	-747	-586	-510	-894	-837	-800	147	251	290
Paraguay	620	573	800	727	736	935	-107	-163	-135	41	119	127	-148	-282	-261
Dominican Republic	738	722	711	1 286	1 266	1 550	-547	-544	-839	-310	-404	-485	-238	-140	-354
Uruguay	854	1 088	1 189	675	791	1 080	178	297	109	-55	-47	-40	233	344	149

Source: ECLAC, on the basis of official figures.

^aExcluding net payments of profits and interest.

Table 23

LATIN AMERICA: BALANCE OF PAYMENTS
(Millions of dollars)

	Trade balance			Net payments of profits and interest ^a			Balance on current account ^b			Balance on capital account ^c			Total balance ^d		
	1985	1986	1987	1985	1986	1987	1985	1986	1987	1985	1986	1987	1985	1986	1987
Latin America (19 countries)	30 168	14 475	18 143	35 135	31 512	30 098	-3 619	-15 359	-9 787	3 245	9 081	10 191	-378	-6 279	404
Oil-exporting countries	16 643	5 180	9 379	13 541	11 136	10 655	3 330	-5 722	-962	-4 238	1 424	5 057	-912	-4 296	4 095
Bolivia	11	-178	-323	373	306	294	-342	-466	-597	301	597	530	-42	132	-67
Ecuador	1 005	230	-349	936	888	912	69	-658	-1 261	-44	486	1 181	24	-172	-80
Mexico	9 226	5 808	10 510	9 028	7 593	7 306	510	-1 495	3 626	-3 272	1 485	2 300	-2 763	-9	5 926
Peru	996	-307	-858	1 014	805	769	-19	-1 113	-1 627	179	825	821	159	-289	-806
Venezuela	5 405	-373	399	2 190	1 544	1 374	3 112	-1 990	-1 103	-1 402	-1 969	225	1 710	-3 958	-878
Non-oil-exporting countries	13 325	9 295	8 764	21 594	20 376	19 443	-6 949	-9 637	-8 825	7 483	7 657	5 134	534	-1 983	-3 691
Argentina	4 361	1 564	150	5 324	4 425	4 500	-963	-2 861	-4 350	1 940	1 987	2 750	978	-874	-1 600
Brazil	10 715	6 313	8 844	11 208	10 789	9 701	-353	-4 381	-787	-170	1 197	-1 025	-523	-3 184	-1 812 ^e
Colombia	-688	1 310	749	1 582	1 661	1 789	-1 815	413	-52	1 970	946	-70	154	1 359	-122
Costa Rica	-63	44	-141	282	274	243	-303	-193	-341	375	274	337	72	81	-4
Chile	512	712	773	1 901	1 887	1 699	-1 342	-1 135	-871	1 240	1 526	917	-102	391	46
El Salvador	-255	-102	-260	114	152	147	-243	-80	-209	270	155	260	27	75	51
Guatemala	-97	121	-374	163	207	183	-241	-36	-366	343	147	292	102	110	-74
Haiti	-223	-204	-214	20	15	20	-194	-168	-178	123	148	214	-71	-20	36
Honduras	-144	-73	-107	190	211	222	-322	-271	-313	333	300	355	11	28	42
Nicaragua	-587	-563	-480	257	245	240	-827	-799	-710	846	605	633	19	-194	-77
Panama	147	251	290	-46	-106	12	162	325	245	-276	-264	-336	-114	61	-91
Paraguay	-148	-282	-261	21	88	100	-167	-369	-361	39	241	370	-128	-128	9
Dominican Republic	-238	-140	-354	226	250	306	-222	-148	-400	267	208	182	45	59	-218 ^e
Uruguay	233	344	149	352	278	281	-119	66	-132	183	187	255	64	253	123

Source: ECLAC, on the basis of official figures.

^aExcluding labour and ownership; the net interest payments shown correspond to the interest accrued rather than to the payments actually made. This is the case throughout the *Economic Survey*. ^bIncluding net private unrequited transfers. ^cIncluding long- and short-term capital, official unrequited transfers and errors and omissions. ^dTotal

balance is equal to variation in international reserves (of opposite sign) plus counterpart items. ^eAs these countries were delinquent in some of their payments, their governments decided to enter these arrears into their accounts as a decrease in their net reserves. In fact, however, their gross liquid reserves diminished much less than indicated (Dominican Republic) or even rose (Brazil).

Table 24

**LATIN AMERICA: RELATION BETWEEN THE BALANCE-OF-PAYMENTS
DEFICIT ON CURRENT ACCOUNT AND THE VALUE OF
EXPORTS OF GOODS AND SERVICES^a**

(Percentages)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Latin America	29.8	24.0	26.3	34.8	39.9	7.2	0.2	3.3	16.2	9.1
Oil-exporting countries	40.6	14.9	8.8	23.3	27.0	-16.7	-15.8	-6.6	15.0	-2.1
Bolivia	50.2	46.6	5.0	48.8	22.2	23.8	29.4	47.5	69.9	100.8
Ecuador	2.9	27.1	24.4	35.6	46.6	0.1	9.3	2.1	25.4	51.6
Mexico	30.3	36.7	35.4	48.7	24.5	-19.3	-13.5	-1.8	6.8	-13.2
Peru	10.2	-14.8	5.3	47.0	43.6	29.3	9.9	0.5	33.7	45.2
Venezuela	58.1	-2.5	-23.8	-19.2	24.0	-28.1	-32.4	-20.7	20.9	9.8
Non-oil-exporting countries	22.3	31.5	42.7	46.2	52.6	30.3	14.9	11.9	17.0	14.3
Argentina	-24.5	5.8	48.3	43.4	25.6	26.2	26.0	9.6	33.9	55.8
Brazil	51.5	62.7	58.8	46.1	74.3	29.0	-0.1	1.3	18.0	2.8
Colombia	-7.4	-9.6	3.9	45.7	69.1	79.9	27.3	40.5	-6.5	0.8
Costa Rica	36.1	50.5	54.9	34.7	24.6	29.2	20.8	24.8	13.8	22.4
Chile	37.6	26.1	33.9	96.0	51.1	25.1	47.2	30.0	22.6	13.8
El Salvador	31.6	-1.2	-	29.4	33.0	24.2	27.2	26.8	7.8	22.9
Guatemala	20.9	14.2	9.5	39.7	31.3	19.2	31.1	20.7	3.1	32.6
Haiti	39.8	45.5	45.8	100.4	69.6	71.2	63.6	57.6	57.5	56.7
Honduras	24.7	24.4	35.2	36.3	32.5	31.7	43.5	35.0	26.6	31.8
Nicaragua	4.8	-13.4	107.9	117.2	124.7	135.4	178.8	235.6	271.6	214.5
Panama	25.6	31.9	11.2	0.6	4.2	-10.5	1.5	-5.0	-8.8	-6.5
Paraguay	27.2	40.9	49.1	67.9	61.3	54.4	37.6	20.8	46.6	34.2
Dominican Republic	38.1	31.7	54.0	26.4	40.0	35.3	16.3	16.8	10.5	25.7
Uruguay	14.5	30.4	46.9	27.5	15.9	5.0	10.8	9.5	-4.4	8.5

Source: ECLAC, on the basis of official figures.

^aNegative figures indicate a surplus on the balance-of-payments current account.

^bPreliminary figures.

Table 25

**LATIN AMERICA: NET INFLOW OF CAPITAL AND
TRANSFER OF RESOURCES**

(Billions of dollars and percentages)

	Effective net inflow of capital ^a	Unregis- tered trans- actions ^b	Net inflow of capital (1+2)	2/1	Net pay- ments of profits and in- terest	Transfer of resources		Exports of goods and services	6/8	7/8
	(1)	(2)	(3)	(4)	(5)	(1-5)	(3-5)	(8)	(9)	(10)
1976	18.9	-1.0	17.9	-5.3	6.8	12.1	11.1	47.3	25.6	23.5
1977	15.5	1.7	17.2	11.0	8.2	7.3	9.0	55.8	13.1	16.1
1978	24.3	1.8	26.1	7.4	10.2	14.1	15.9	61.3	23.0	25.9
1979	26.9	2.2	29.1	8.2	13.6	13.3	15.5	82.0	16.2	18.9
1980	34.8	-5.1	29.7	-14.7	18.2	16.6	11.5	107.6	15.4	10.7
1981	48.6	-11.0	37.6	-22.6	27.2	21.4	10.4	116.1	18.4	9.0
1982	30.5	-10.1	20.4	-33.1	38.8	-8.3	-18.4	103.2	-8.0	-17.8
1983	6.2	-3.2	3.0	-51.6	34.4	-28.2	-31.4	102.4	-27.5	-30.7
1984	9.6	0.1	9.7	1.0	36.4	-26.8	-26.7	114.0	-23.5	-23.4
1985	5.7	-2.5	3.2	-43.9	35.1	-29.4	-31.9	108.7	-27.0	-29.3
1986	9.6	-0.5	9.1	-5.2	31.5	-21.9	-22.4	94.8	-23.1	-23.6
1987 ^c	10.1	0.1 ^d	10.2	1.0	30.1	-20.0(16.0) ^e	-19.9(15.9) ^e	107.2	-18.7	-18.6

Source: 1976-1986: ECLAC, on the basis of figures from the International Monetary Fund (IMF); 1987: ECLAC, on the basis of official figures.

^aEquivalent to net inflow of capital minus unregistered transactions. ^bCorresponds to balance-of-payments item "errors and omissions". ^cPreliminary estimates. ^dDoes not include unregistered transactions of Argentina, Bolivia, Ecuador, Honduras or Peru. ^eDue to some countries' accounting treatment of the payments owing during their moratoriums, the sum actually transferred to the exterior was around US\$400 million less in 1987. Brazil's moratorium was particularly significant in this respect.

Table 26

LATIN AMERICA: NET TRANSFER OF RESOURCES^a

	Net transfer of resources (millions of dollars)							Relation between the net transfer of resources and exports of goods and services (percentages)					
	1982	1983	1984	1985	1986	1987 ^b	1982-1987 ^b	1982	1983	1984	1985	1986	1987 ^b
Latin America ^c	-18 739	-31 211	-26 703	-31 664	-22 917	-19 559 ^d	-150 793	-18.8	-30.6	-23.5	-29.4	-24.3	-18.3
Oil-exporting countries	-14 574	-19 519	-18 564	-17 781	-9 712	-5 598	-85 748	-28.4	-39.2	-34.1	-35.2	-25.4	-12.3
Bolivia	-181	-117	-59	-73	291	236	97	-19.9	-13.6	-7.2	-10.1	43.7	39.9
Ecuador	41	-600	-695	-980	-402	269	-2 367	1.5	-22.7	-24.0	-30.0	-15.5	11.0
Mexico	-9 594	-12 499	-12 062	-12 300	-6 108	-5 006	-57 569	-33.6	-46.0	-40.0	-44.5	-27.7	-18.2
Peru	634	-74	-538	-836	20	52	-742	15.6	-2.0	-14.1	-22.1	0.6	1.4
Venezuela	-5 474	-6 229	-5 210	-3 592	-3 513	-1 149	-25 167	-31.2	-39.4	-31.0	-24.0	-36.9	-10.2
Non-oil-exporting countries	-4 165	-11 692	-8 139	-13 883	-13 205	-13 961	-65 045	-8.6	-23.3	-13.7	-24.2	-23.6	-22.6
Argentina	-3 030	-5 421	-3 051	-3 384	-2 438	-1 750	-19 074	-33.0	-58.4	-31.8	-33.6	-28.9	22.4
Brazil	-2 376	-6 069	-6 129	-11 377	-9 593	10 726 ^d	-46 270	-10.9	-25.7	-21.2	-41.2	-39.4	-38.1
Colombia	1 231	5	-472	388	-715	-1 859	-1 422	27.8	0.1	-9.1	8.7	-11.3	-29.2
Costa Rica	26	44	-105	93	-	94	152	2.3	3.9	-8.2	7.6	-	6.4
Chile	-889	-1 105	191	-661	-1 004	-782	-4 250	-19.1	-23.9	4.3	-14.8	-20.0	-12.4
El Salvador	113	104	117	153	3	113	603	13.8	11.9	13.1	16.9	0.2	12.4
Guatemala	240	163	192	180	-60	109	824	18.8	13.9	15.6	16.6	-5.1	9.7
Haiti	212	213	164	103	133	194	1 019	78.6	73.9	51.4	30.6	45.5	61.7
Honduras	2	55	204	143	89	133	626	0.3	6.9	23.8	15.6	8.7	13.6
Nicaragua	276	445	747	590	360	393	2 811	61.7	94.4	176.9	167.9	122.4	118.7
Paraguay	342	158	232	18	153	270	1 173	55.5	34.0	33.2	2.3	19.3	25.6
Dominican Republic	57	4	79	40	-42	-124 ^d	14	5.0	0.3	5.8	3.1	-3.0	-8.0
Uruguay	-369	-288	-308	-169	-91	-26	-1 251	-24.0	-20.4	-23.9	-13.5	-6.1	-1.7

Source: ECLAC, on the basis of figures from the International Monetary Fund (IMF).

^aThe net transfer of resources from abroad is equal to the net inflow of capital (official transfer payments, short- and long-term capital, and errors and omissions) minus net payments of interest and profits, which include both the interest actually paid and the interest due but not paid. ^bPreliminary figures. ^cDoes not include Panama. ^dDue to these countries' partial moratoriums and the way in which their governments entered the unpaid payments into their accounts, the amount actually transferred abroad was US\$6.8 billion in the case of Brazil and virtually zero in that of the Dominican Republic. The total amount actually transferred by the region in 1987 was US\$15.5 billion.

Table 27

LATIN AMERICA: TOTAL DISBURSED EXTERNAL DEBT^a

	End-of-year balances in millions of dollars						Annual growth rates				
	1982	1983	1984	1985	1986	1987 ^b	1979-1981	1982-1983	1984-1985	1986	1987 ^b
Latin America	329 341	352 183	369 848	376 667	389 336	413 053	23.3	11.0	3.4	3.4	6.1
Oil-exporting countries	143 201	152 626	156 589	156 406	158 873	167 185	25.5	9.5	1.2	1.6	5.2
Bolivia ^c	2 889	3 265	3 272	3 287	3 636	4 279	15.8	7.7	0.3	10.6	17.7
Ecuador	6 186	6 908	7 198	7 772	8 624	9 613	25.5	8.5	6.1	11.0	11.5
Mexico	87 600	93 800	96 700	97 800	100 500	105 600	30.8	12.0	2.1	2.8	5.1
Peru	11 465	12 445	13 338	13 721	14 477	15 441	1.0	14.0	5.0	5.5	6.7
Venezuela ^d	35 061	36 208	36 081	33 826	31 636	32 252	27.5	4.1	-3.3	-6.5	1.9
Non-oil-exporting countries	186 140	199 557	213 259	220 261	230 463	245 868	21.7	12.1	5.1	4.6	6.7
Argentina	43 634	45 069	46 903	48 312	51 400	54 700	42.1	12.8	3.5	6.4	6.4
Brazil	91 576 ^e	98 175 ^e	105 275 ^e	106 731 ^e	111 045	121 264	14.4	10.8	4.3	4.0	9.2
Colombia	10 269	11 458	12 350	14 063	14 987	15 651	28.0	16.1	10.8	6.6	4.4
Costa Rica	3 188	3 532	3 752	3 742	3 791	3 914	13.3	14.7	3.0	1.3	3.2
Chile	17 159	18 037	19 659	20 403	20 716	20 551	30.7	7.6	6.4	1.5	0.8
El Salvador	1 710	1 890	1 949	1 980	1 928	1 876 ^f	19.1	8.4	2.4	-2.6	-2.7 ^f
Guatemala	1 841	2 149	2 505	2 695	2 668	2 718	19.3	24.8	12.1	-1.0	1.9
Haiti ^c	410	551	607	600	697	741	21.1	22.3	4.5	16.2	6.3
Honduras	1 986	2 162	2 392	2 794	3 018	3 101	17.8	17.0	13.7	8.0	2.8
Nicaragua ^c	3 139	3 788	4 362	4 936	5 760	6 270	27.4	21.5	14.2	16.7	8.9
Panama ^c	2 820	3 392	3 644	3 642	3 835	3 731 ^f	7.5	20.6	3.7	5.3	-2.7 ^f
Paraguay	1 204	1 469	1 654	1 773	1 855	2 043	12.4	24.4	9.9	4.6	10.1
Dominican Republic	2 966	3 313	3 536	3 690	3 525	3 420 ^f	24.4	14.0	5.5	-4.5	-3.0 ^f
Uruguay	4 238	4 572	4 671	4 900	5 238	5 888	36.1	22.0	3.5	6.9	12.4

Source: ECLAC, on the basis of official figures.

^aIncludes the debt owed to the International Monetary Fund (IMF). ^bPreliminary figures. ^cPublic debt. ^dTotal debt according to official figures and the data of international financial agencies. ^eTotal debt according to World Bank statistics. ^fPart, if not all, of the reduction in medium- and long-term debt was due to the fact that the governments of countries which declared partial moratoriums chose to enter the corresponding arrears into their accounts as decrease in their medium- and long-term debt; as a counterbalancing entry, they registered a decrease in their net reserves.

Table 28

**LATIN AMERICA: RELATION BETWEEN TOTAL DISBURSED
EXTERNAL DEBT AND EXPORTS OF GOODS AND SERVICES**

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Latin America	212	247	319	344	324	347	410	385
Oil-exporting countries	187	220	279	304	287	310	421	367
Bolivia ^b	227	281	317	381	400	457	545	723
Ecuador	162	202	231	261	249	236	333	394
Mexico	216	259	335	345	321	354	456	384
Peru	207	239	281	334	349	362	438	429
Venezuela	148	160	200	229	215	225	332	286
Non-oil-exporting countries	235	272	359	383	358	378	406	398
Argentina	275	329	475	485	488	480	609	701
Brazil	322	314	417	416	364	386	456	430
Colombia	128	199	232	303	239	314	236	246
Costa Rica	184	229	286	312	294	306	272	268
Chile	188	311	370	390	438	457	412	326
El Salvador	97	174	208	216	218	219	188	205
Guatemala	61	96	144	183	204	232	228	242
Haiti ^b	95	155	152	191	190	178	239	236
Honduras	147	180	259	270	279	304	296	315
Nicaragua ^b	369	464	702	804	1 034	1 466	1 959	1 894
Panama ^b	66	63	79	115	124	110	104	104
Paraguay	152	171	195	317	237	220	234	194
Dominican Republic	171	168	260	267	258	279	250	218
Uruguay	140	183	276	324	362	392	349	379

Source: ECLAC, on the basis of official figures and data from the International Monetary Fund (IMF).

^aPreliminary figures. ^bRelation between the external public debt and exports of goods and services.

Table 29

**LATIN AMERICA: RELATION BETWEEN TOTAL INTEREST PAYMENTS
AND EXPORTS OF GOODS AND SERVICES^a**

(Percentages)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Latin America^c	15.7	19.5	20.4	28.0	41.0	36.2	35.8	35.7	36.0	29.8
Oil-exporting countries	16.1	16.6	16.8	22.5	35.6	31.4	32.5	35.2	35.2	27.8
Bolivia	13.7	21.2	25.0	34.5	43.4	39.8	49.8	46.8	42.1	44.8
Ecuador	10.4	13.6	18.3	22.8	30.3	27.4	30.8	25.5	30.0	32.8
Mexico	24.0	24.5	23.3	29.0	47.3	37.5	39.0	37.0	38.1	29.5
Peru	21.2	15.5	18.4	24.1	25.1	30.0	33.2	28.3	25.9	21.9
Venezuela	7.2	6.9	8.1	12.7	21.0	21.6	20.1	26.1	32.6	25.3
Non-oil-exporting countries	15.5	22.3	23.9	33.8	46.8	41.0	39.1	38.7	36.5	31.5
Argentina	9.6	12.8	22.0	35.5	53.6	58.4	57.6	51.2	50.9	53.2
Brazil	24.5	31.4	34.1	40.4	57.1	43.5	39.6	40.3	41.3	33.1
Colombia	7.5	9.9	11.8	21.8	25.9	26.7	22.8	28.9	20.0	22.4
Costa Rica	9.9	12.8	18.0	28.0	36.1	33.0	26.7	24.9	21.5	15.6
Chile	16.9	16.5	19.3	38.8	49.5	38.9	48.0	43.5	38.6	26.3
El Salvador	5.3	5.7	5.9	7.9	11.9	12.3	12.3	11.1	12.4	13.4
Guatemala	3.7	3.2	5.3	7.5	7.8	8.7	12.4	14.7	17.3	15.4
Haiti	2.8	3.2	2.0	2.5	2.6	2.4	5.3	7.4	6.8	4.5
Honduras	8.2	8.6	10.6	14.4	22.4	16.4	15.8	15.8	15.2	16.5
Nicaragua	9.3	9.7	24.3	37.4	41.8	45.3	60.8	72.0	83.6	72.9
Paraguay	8.4	10.7	13.4	14.8	13.5	14.3	8.8	9.9	11.5	11.2
Dominican Republic	14.0	14.3	19.9	19.1	22.7	24.5	18.1	18.7	18.9	14.7
Uruguay	10.4	9.0	11.0	12.9	22.4	24.8	34.8	34.2	24.7	24.7

Source: ECLAC, on the basis of data from the International Monetary Fund (IMF); 1987: on the basis of the countries' figures.

^a"Interest" includes both the interest payments actually made and the interest due but not paid. "Services" do not include factor services. ^bPreliminary figures. ^cDoes not include Panama.

Table 30

**LATIN AMERICA: RESCHEDULING OF EXTERNAL
DEBT WITH PRIVATE BANKS^{a,b}**

(Millions of dollars)

	Third round 1984/1985			Fourth round 1986/1987		
	Rescheduled maturities ^c		Fresh credit	Rescheduled maturities ^c		Fresh credit 1987
	Amount	Years	Amount	Amount	Years	Amount
Argentina	13 500	82-85	4 200	29 500	86-90	1 950
Brazil	15 500	85-86	-	...	87-...	...
Bolivia	-	-	-	...	82-...	...
Costa Rica	280	85-86	75	...	86-89	...
Cuba	82	85	-	...	86-87	...
Chile	5 700	85-87	714; 371 ^d	12 490	88-91	-
Ecuador	4 800	85-89	-	4 930 ^e	87-...	350
Honduras	220	85-86	-	...	85-...	...
Mexico	48 700	85-90	-	43 700 ^f	85-90	6 000 ^g ; 1 700 ^h
Panama	603	85-86	60	...	...	...
Dominican Republic	790	82-85	-	...	...	...
Uruguay	2 130	85-89	45 ⁱ	1 780	86-91	-
Venezuela	21 200	83-88	-	26 450	86-88	-

Source: ECLAC, on the basis of official data and information from various national and international sources.

^aAlthough there have been four rounds of negotiations, some of the agreements reached during the second round—in which six countries took part—did not go into effect. For this reason, in some cases three, rather than four, rounds are mentioned.

^bFor each round, the first column gives the amounts of amortization payments rescheduled, the second indicates the years for which payments were restructured and the third shows the fresh credit granted by private banks as an integral part of this rescheduling. The table does not include information on the maintenance of short-term lines of credit and bridging credits granted by the United States Treasury Department, the Bank for International Settlements, etc.

^cIn some cases includes maturities already rescheduled in earlier rounds. ^dThe figures correspond to 1985 and 1986, respectively. They include US\$150 million guaranteed by the World Bank as part of a cofinancing agreement. ^eThe new funds were for liquidating arrears in interest payments stemming from a moratorium which began in January 1987. Following the announcement of a refinancing agreement, the government indicated that it would maintain the moratorium.

^fA preliminary agreement was also reached for the rescheduling of US\$11.2 billion in private-sector debt which had previously been refinanced using the FICORCA (exchange riskcoverage) mechanism. ^gThe financial provisions in this case included US\$750 million guaranteed by the World Bank as part of a cofinancing agreement with international banks.

^hStand-by credit from private banks. ⁱA voluntary loan, but one which formed part of a World Bank cofinancing plan.

Table 31

**LATIN AMERICA: TERMS OF RESCHEDULING OF EXTERNAL
DEBTS WITH PRIVATE BANKS^{a,b}**

	Third round 1984/1985			Fourth round 1986/1987		
	Spread over LIBOR (%)	Repay- ment period (years)	Commis- sion ^c	Spread over LIBOR (%)	Repay- ment period (years)	Commis- sion ^c
Argentina	1.44	11.5	0.15	0.81	17.6	-
Brazil	1.13	12.0	-	...	...	...
Costa Rica	1.66	9.4	1.00	...	...	...
Cuba	1.50	10.0	0.38	...	...	...
Chile	1.42	12.0	0.08	0.81 ^d	15.0	-
Ecuador ^e	1.38	12.0	-	0.95	18.0	-
Honduras	1.58	11.0	0.88	...	...	...
Mexico	1.13	14.0	-	0.81	19.0	-
Panama	1.40	11.7	0.05	...	...	...
Dominican Republic	1.38	13.0	-	...	...	...
Uruguay	1.38	12.0	-	0.88	17.0	-
Venezuela	1.13	12.5	-	0.88	14.0	-

Source: ECLAC, on the basis of official data and information from various national and international sources.

^a Although there have been four rounds of negotiations, some of the agreements reached during the second round—in which six countries took part—did not go into effect. For this reason, in some cases three, rather than four, rounds are mentioned.

^b Each column represents the terms agreed upon with the banks for the rescheduled maturities and/or new credits. When the country negotiated both the rescheduling of maturities and the granting of fresh funds, the figure represents a weighted average of the two.

^c Calculated as a percentage of the total amount of the transaction and paid once only when the loan contracts were signed.

^d Represents a revision of the terms agreed upon in June 1986.

^e The agreement corresponding to the fourth round has not been concluded.

PART TWO

THE ECONOMIC EVOLUTION BY COUNTRIES

ARGENTINA

1. Recent economic trends: Introduction and summary

The sharp acceleration in inflation, the delay experienced in the economic recovery begun in 1986 and the worsening of the fiscal and external deficits were the most outstanding occurrences in the economic development of Argentina in 1987. After the sudden let-up in the persistent inflation experienced by the country as a result of the application of the Plan Austral in mid-1985, inflation began to intensify again during the third quarter of 1986. During 1987, pressures on price levels increased, the fiscal and external deficits increased and the expectations of the economic agents became more unfavourable. Anti-inflationary measures were directed primarily at the management of price and income policies and at the achievement of greater monetary control, but the persistence of the fiscal and external deficits created a recurrent pattern of price acceleration and deceleration.

Thus, the rate of variation of the consumer price index (CPI) reached 175% during the year, doubling the 1986 figure, with the monthly variations fluctuating widely, from a minimum of 3.5% (in both April and December) to a maximum of 20% in October.

In this context, the gross domestic product rose by not much more than 1.5%, after having recorded a rise of nearly 6% the year before. Thus, the per capita product in 1987 was still 15% lower than in 1980 (see table 1 and figure 1).

The rate of production had begun to ebb late in 1986. In the second quarter of 1987, a recovery looked like a possibility but it failed to materialize. Consequently, the average rate for the year reflected growth in construction, services and agriculture and a slight decline in manufacturing.

Gross fixed capital formation was the most dynamic factor in domestic demand. Fixed investment expanded at a high rate for the second consecutive year, rising by nearly 15%, reflecting considerable increases in construction and machinery and equipment and above all in imported capital goods. However, the investment/product coefficient (13%) remained far below that recorded in preceding years. Overall consumption grew again, although more slowly than before, within the framework of an economy with substantial restrictions on it. As for the balance of trade, it contracted considerably at constant prices owing to the combined effect of the reduction in exports and the increase in imports.

The acceleration and variability of the inflation resulted in a drop in real remunerations. Thus, the average annual wage paid by the manufacturing industry fell by 8% in real terms, although the drop from January to December 1988 amounted to 11%.

As for the rate of unemployment, in general it stayed at the same level in a climate of slower growth of domestic activity. The average rate remained at moderate levels, a rate of 5.2% being recorded in the Federal Capital and Greater Buenos Aires towards the end of the year.

Two noteworthy occurrences had a decisive effect on the performance of the Argentine economy during 1987 —the deterioration in the situation with regard to external payments and the increase in the fiscal deficit.

In the first case, the situation with regard to the current account worsened considerably. Export prices rose by slightly less than 5%, after the sizeable fall experienced over the preceding two years, but the terms of trade continued to decline. The result was a reduction totalling 30% during the years since 1980 and an indicator for 1987 which was the lowest indicator recorded in the past three decades. Even more important, however, was the meager outcome of the 1987 agricultural season, which was responsible for an appreciable reduction (around 14%) in exported volumes, while the volume of imports rose by 7%. As a result, the surplus on the balance of trade contracted sharply, falling to US\$550 million (close to one tenth of the surplus recorded two years previously) and, in a related development, the deficit in the current account increased by 50%, rising to US\$4 350 000 000. The search for external financing led to long negotiations with international

Figure 1
ARGENTINA: MAIN ECONOMIC INDICATORS

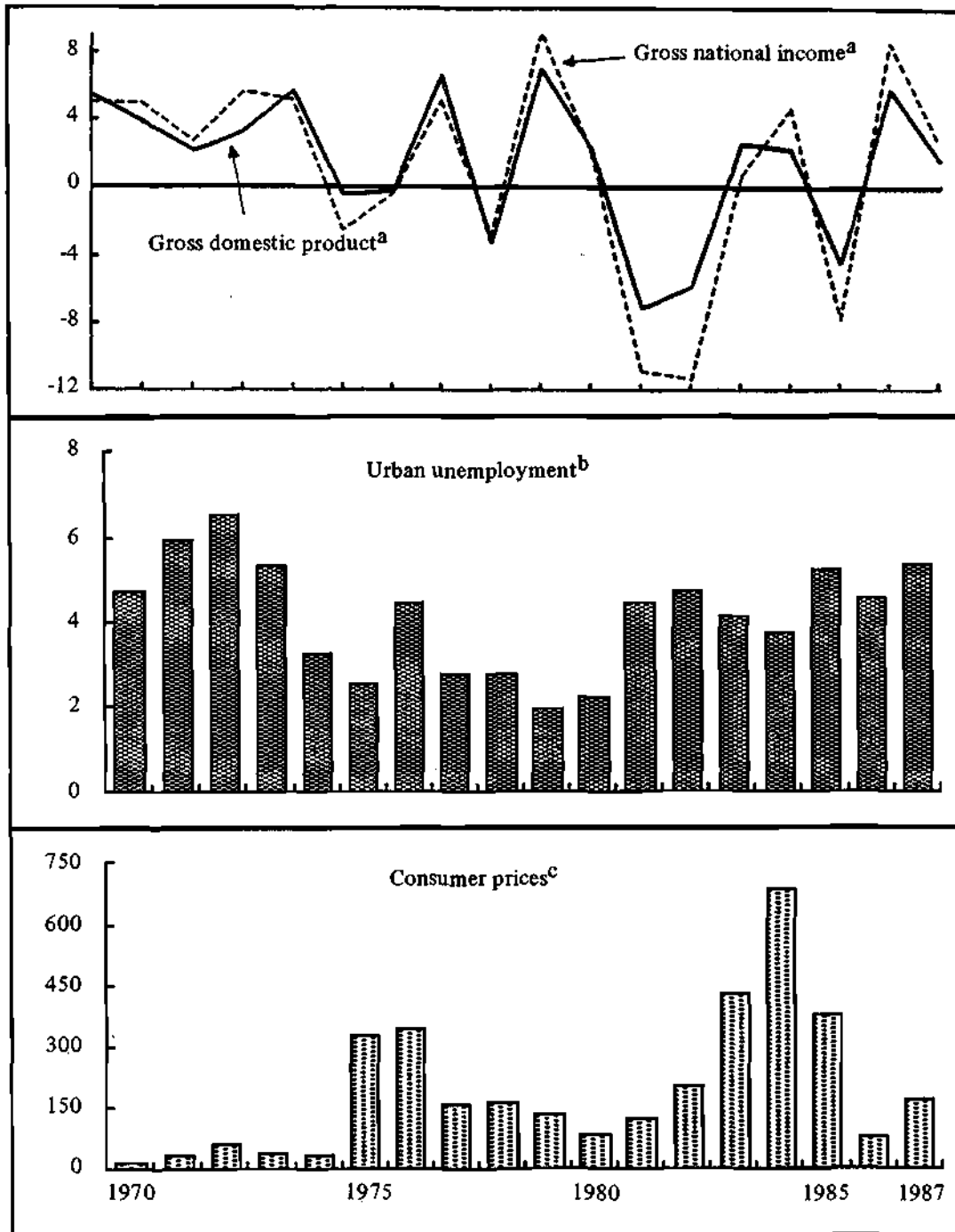
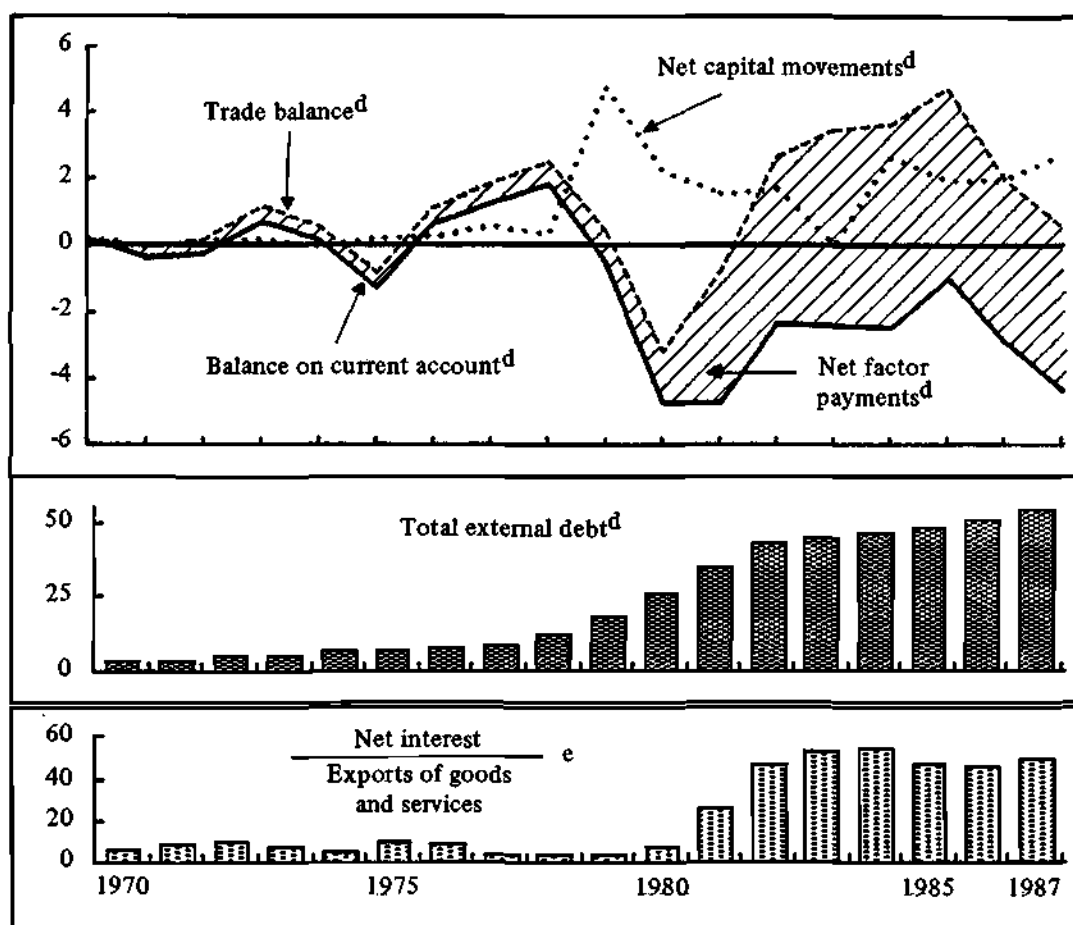


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage annual rate in the Federal Capital and Greater Buenos Aires.

^cPercentage variation from December to December.

^dBillions of US dollars.

^ePercentages.

bodies and the country's creditor banks. The agreements reached made it possible to obtain capital inflows amounting to around US\$3 billion and to refinance the debt on better terms. Even so, the international reserves dropped by US\$1.1 billion.

The total external debt rose by nearly 6.5%, bringing it close to US\$55 billion at the end of the year. As exports of goods and services tapered off simultaneously, at the end of 1987, the external debt was over seven times higher than the value of exports. Gross interest payments continued to have a significant effect on the current account as may be seen from the fact that they amounted to slightly more than half the foreign exchange obtained from external sales. The sum transferred for this purpose in 1987 was, however, the lowest since 1981.

One of the important objectives of the economic policy in recent years has been to reduce the public sector deficit to values compatible with a more moderate inflation rate. However, the fiscal adjustment of the preceding two-year period experienced a setback in 1987. The deficit of the non-financial public sector, which had fallen rapidly, dropping from nearly 13% of the gross domestic product in 1984 to slightly more than 4% of the product in 1986, expanded again in 1987, when it amounted to more than 7% of the gross domestic product. This was due both to the decline in the amount collected in taxes and to increased spending. The low international prices of farm commodities led to a reduction of export duties; tax earnings from fuels also fell, while the VAT

reforms and the regulation of direct taxes produced lower revenues than expected. As for public enterprises, their net earnings contracted. Current spending rose in the National Administration and even more so in the provinces, a rise which was offset, although only partially, by a deterioration in the real value of services to retirees. Thus, the current savings of the public sector, which had amounted to around 2% of the gross domestic product, the preceding year, showed a slightly negative value in 1987. This was coupled with a moderate increase in public investment (on the basis of depressed prices), which meant that the credit needs of the public sector were greater than they had been the preceding year.

Not only were the government's needs for financing greater, but the credit transactions of the State banks had an expansive effect. To cope with this situation, the Central Bank tried to stem the growth of the money supply by issuing bonds. This policy was hamstrung by the limited possibilities of the market's absorbing government bonds, which made the interest rate very sensitive to the volume of bonds in circulation, thereby increasing the costs of the sterilization measures.

In this context, the means of payment increased by 115% — a much slower rate than the rate of increase of domestic prices. This brought about a reduction in the means of payment/gross domestic product coefficient, which was still considerably higher than the coefficients prior to the Plan Austral. Time deposits grew at a rate close to the rate of increase of prices after attractive *ex-ante* interest rates were offered owing to the evolution and variability of prices, however, the average real *ex-post* rate on deposits for the year was around -1 1/2%.

The loss of reserves and the worsening of the situation in respect to public finances mentioned above dictated the country's economic policy throughout the year. Although the economic authorities felt the need to raise the exchange rate and public utility rates, it was feared that a real increase in those prices could sway expectations and pave the way for a rapid rise in inflation and, in that way, affect real wages and the level of activity. This dilemma was solved by applying shock policies on two different occasions.

Towards the end of 1986, a tougher incomes and monetary management policy was introduced; price hikes slackened off, and a drop in production occurred. Inflation sped up again at the beginning of 1987. In response, the authorities decided on a freeze, prior to which they made drastic nominal adjustments in public utility rates and especially in the exchange rate. The measure had a partial effect, since the variation in prices became more moderate for some time but not to the extent that a sustained slowdown could be foreseen. Inflation in fact escalated rapidly; in July, the growth rate of the CPI was over 10% (for the first time in two years), and the upward trend became more marked in the months which followed.

The rapid climb of the rates of inflation begun in the middle of the year and reaching its peak in October introduced changes of some magnitude in relative prices. The purchasing power of wages fell and the exchange rate, public utility rates and industrial prices rose in real terms.

The results of the September elections won by the opposition, created the expectation of a change in the orientation of the economic policy. Although this never happened, uncertainty was generated about the way in which the economy would be managed in the face of the new political situation and the problems arising from the acceleration of inflation. This together with the drop in the foreign trade balance, which fell lower than foreseen, had an impact on the demand for foreign currency. In addition, the possibility that the price controls would be strengthened induced many entrepreneurs to defend themselves by marking up their prices. At the same time, the difficulties experienced in the realm of public finances made themselves felt, affecting expectations and laying the ground for potentially very unstable situation.

In mid-October, the authorities announced a new set of economic measures. A freeze was decided upon which once again was preceded by sharp rises in public utility rates and the exchange rate. The purpose of this freeze was to rectify relative prices while at the same time lowering the very high rates of inflation observed at that time (around 20% in the consumer price index (CPI) and more than 30% in the wholesale price index (WPI). The rate of increase of prices had slowed down notably by the end of the year, reaching a minimum variation of 3.5% in December. The basic imbalances were, however, never resolved.

In short, during 1987 the Argentine economy was highly unstable. The low level of international prices and the contraction in the exportable agricultural supply continued to determine the growth of the external sector since farm commodities constitute 70% of the goods exported. At

the same time, the agreements reached with international banking institutions failed to provide for enough resources to finance the entire external debt, and in addition the fiscal deficit/gross domestic product coefficient experienced a rise of around three points. In this context, anti-inflationary action consisted primarily in stricter monetary management combined with the implementation of price and incomes policies designed to modify certain relative prices and influence the expectations of the economic agents, which caused great variability in the monthly rate of inflation.

In this scenario, the economy absorbed the deficit in the external current account by resorting to the use of reserves and to greater external and internal indebtedness. To some extent this made it possible to maintain the level of activity, but the recovery begun the preceding year was set back considerably.

Towards the end of the year, the authorities stepped up the efforts being made to reduce the fiscal imbalance at the same time adopting provisions promoting the restructuring of the economy. Thus, the programme applied in October provided for measures which were broader in scope. These measures included the creation of a financial exchange market with a floating rate (which in fact amounted to the legalization of the kind of transaction previously carried out in the parallel market), and loans and deposits at a regulated interest rate were eliminated.

At the same time, the executive branch sent Congress a number of tax laws aimed at increasing tax revenue which took longer to adopt than the Administration had expected. Likewise, a new law on co-participation between the central government and the provincial governments with regard to taxation was adopted, and the system for financing public enterprises was amended. The purpose of these provisions and of the plan to submit the amount of Central Bank rediscounts to Congress for its approval was to throw light on the sources of income of public enterprises in an effort to make budgetary restrictions more explicit and thus reduce the pressure on the Treasury and the Central Bank.

During the year, reforms were also designed to restore the investment capacity of the economy and to stimulate its competitiveness. As for public services, it was sought to reorganize the management of State enterprises and open up areas to private participation. The petroleum laws were also amended, and the intention to deregulate other activities was announced. In the field of foreign trade, the scope of the regulations governing the temporary admission of inputs was expanded in a move which took place apart from other export promotion schemes already in existence. In keeping with the announced intention of the government to gradually open up the economy, the regulations governing the importation of iron and steel products and petrochemicals were amended. Finally, co-operation agreements —providing for a significant volume of financing and the realization of joint projects by public and private enterprises were signed with the governments of Italy and Spain— and the scope of the trade agreement with Brazil was expanded.

2. Trends in economic activity

a) *Total supply and demand*

In the past 10 years, the Argentine economy has remained stagnant; in 1987 the gross domestic product stood at practically the same level it had reached 10 years earlier. During the 10 intervening years, the level of activity fluctuated between the maximum obtained in 1980 (6% above 1987), when abundant external financing was available to the economy and the minimum levels to which the economy sank in 1982 and 1985 (7% below 1987) under the influence of the external crisis and, in 1985, the acceleration of inflation as well.

In 1987, the rate of recovery of the product slowed down to only 1.6%. The growth experienced must have been due in particular to fixed capital formation, which climbed by almost 15%, since the growth of consumption was slow and the external balance followed a downward trend (see table 2).

Construction, some services and, to a lesser degree, agricultural production increased, whereas manufacturing contracted slightly (see table 3). In actual fact, the growth shown by construction represents the only growth of value added in all the goods-producing sectors.

The recovery begun at the end of 1985 remained strong up until the third quarter of 1986. From that time on, the growth of economic activity was erratic. During the first few months of 1987, the product showed a decline (if seasonal effects are disregarded), which was probably linked to the

tightening of the monetary policy from mid-1986 on. In the second quarter of 1987, a recovery was observed, but it did not last; the product fell again in the ensuing months, during which a rise in inflation was accompanied by a marked fall in real wages and by increased uncertainty. Around the end of the year, domestic demand contracted again, as did production.

In 1987, generalized growth of fixed investment was observed. Even so, the capital formation/product coefficient, was, at 13%, very much lower than it had been at the beginning of the decade. Spending on construction rose by around 14%. Much impetus was given to investment in machinery and equipment, which rose by almost 17%. Purchases of imported capital goods were especially intense for the first time since 1981; this could very well have been due to the fact that fewer constraints were placed on such imports and to the increased availability of financing provided by suppliers and of special lines of credit.

Although a few large-scale projects affected the situation with regard to purchases of equipment in 1987, the increase in those purchases, like the increase the preceding year, seems to have come from investments made in many places and in amounts which were small by comparison with the size of the firms involved. Generally speaking, it would seem that those investments were not aimed at expanding the productive capacity in anticipation of an increase in demand but were probably based on decisions to rationalize or modernize production. This may well be the reason for the existing uncertainty about trends on the national market and about a shortage of funds, which seems to have motivated the realization of projects aimed at bringing about a rapid recovery.

The increase in the demand for investment was offset by the critical fall in the balance of foreign trade at constant prices. The volume of imports of goods and services grew by 7%, causing a modest increase of 9% in the imports/gross domestic product coefficient. This situation was due in part to increased purchases of capital goods and fuels and to the trade flows associated with the regulations in respect of temporary admission (the physical volume of goods purchases grew by 11%). As for exports, they contracted again, the poor harvests in the 1986/1987 season having caused a sharp decline (one of almost 14% in volume terms) in sales of farm commodities, which was offset only to a very small extent by the increase in industrial exports. Consequently, the share of the balance of trade in goods and services at constant 1980 prices in the gross domestic product fell to 3.5%, the lowest figure recorded in this respect since 1981.

The rise in consumption throughout the year averaged slightly less than 3% although real wages shrank. Up to the middle of the year increases, and in some cases increases of considerable magnitude, were observed in the production of durable consumer goods, but this trend reversed in the second half of the year as the demand shrank.

b) *Evolution of the main sectors*

i) *The agricultural sector.* The agricultural sector grew by nearly 2% as the result of slight increases in both the crop-farming and stock-raising sectors. In the crop-farming subsector the most notable occurrence was the rise in the production of oilseeds and of industrial crops, which more than offset the declines recorded in the production of cereals. In the stock-raising subsector, although the production of beef-cattle continued the decline begun in 1984, the increase recorded in the other livestock activities brought about a positive result for the subsector as a whole (see table 4).

The grain harvest of the 1986/1987 season amounted to 33 million tons; i.e., it was 14% lower than in the preceding season and 26% lower than the largest harvest ever—that of the 1984/1985 season. Decreased harvests occurred primarily in respect of three crops—sunflowers (-46%), sorghum (-25%) and maize (-23%). The decline in overall production was due mainly to a reduction in the amount of land sown (this accounted for three fourths of the drop in the cereal harvest and for virtually the whole drop in oilseeds) and to a lesser extent to a decline in the yields. The reduction in the amount of land cultivated, which was partially attributable to the flooding of large parts of the pampa, affected all crops with the exception of soya beans, the production of which continued to rise (see table 5).

Although international grain prices were depressed, a recovery was observed throughout 1987, especially in the final months of the year. In the cases of soya beans and sunflowers, the rise was manifested before the 1987/1988 sowing season; in the case of the other commodities, the effects of the rise will probably be observed in the following crop year. In addition, the improvement in the effective exchange rate, which resulted from the devaluations and the elimination of export duties,

helped to raise domestic prices of farm products. This must have affected decisions on sowing since, although there was no significant change in the amount of land sown in the 1987/1988 season as compared to the previous year, a break occurred in the downward trend initiated in the period 1983/1984. In particular, the decrease in the amount of land sown in wheat and sorghum was halted, while the area planted in soya began to increase again, soya displacing maize. Moreover, since somewhat higher yields than those obtained the preceding year are expected, the production figures for the 1987/1988 season could very well be as high as 35 million tons.

Cattle stocks have dwindled constantly since 1984; the accumulated fall probably amounted to more than three million head, bringing stocks down to the relatively low figure of 51 million. A break would seem to have taken place in this decline towards the end of 1987. Since the beginning of the year, slaughtering had showed a clear tendency to decline, which intensified as the year progressed; in the second half of the year, the number of head slaughtered was 13% lower than in the second half of 1986. On the other hand, the yield in meat per animal was on the rise, and in the second half of the year the share of cows and heifers in the total number of animals slaughtered decreased (see table 6). Although these changes in the normal pattern could indicate a reversal in the stock-raising cycle, they were probably due to an increase in the real domestic prices of cattle which fell until the final quarter of 1987. However, around the end of the year, prices declined markedly reflecting a fall in domestic demand, while exports, which were confined to the volumes usually placed on the external market, did not compete with consumption despite the fact that international prices and the real exchange rate were rising.

ii) *Mining*. Petroleum production amounted to 25 million cubic metres dropping by 1% as compared with the figures recorded in 1986 (see table 7). However, extraction was on the rise throughout the year; owing to the impetus given to drilling in the last quarter of the year, the value of the petroleum produced was well above that obtained the preceding year.

The oil policy attracted particular attention in 1987. Around the middle of the year a programme aimed at settling new conditions for private participation in the sector in order to increase investment was announced. In particular, contractors were permitted to decide when the oil they extracted would be sold, and the option given to Yacimientos Petrolíferos Fiscales (YPF) to work in association in exploiting a deposit whose reserves were larger than expected was eliminated. On the basis of these new regulations, the exploitation of various areas was put up for auction. On the other hand, crude oil exports and imports were authorized, and it was announced that the domestic price of crude would be linked to the international price.

The supply of natural gas of national origin rose slightly in spite of technical drawbacks due to repairs and tensions along the distribution network.

iii) *Manufacturing*. The manufacturing product contracted slightly after the vigorous recovery observed the preceding year (see table 8). This made the real level of the product in 1987 13% lower than the highest level ever achieved, which had been recorded 10 years earlier. Contractions were witnessed in industrial production, primarily in the food and textile industries and in industries producing non-durable goods; conversely, other branches of manufacturing including the building materials industry, the iron and steel industry and the automobile industry, showed significant growth.

Industrial activity fluctuated throughout the period. In early 1987, the downward trend on which production had embarked during the last part of the preceding year continued. Demand became somewhat stronger however; and this made it possible for stocks to be absorbed and gave rise to an increase in the growth rate in the second quarter. This rally did not last long. The acceleration of inflation, which reached its zenith in October, besides accentuating the atmosphere of uncertainty, was accompanied by a fall in real wages, which affected the sales of non-durable consumer goods. Later, real interest rates rose considerably and this was reflected in the markets for durable goods and restricted the demand of enterprises for inputs and equipment. Thus, the manufacturing product in the last three months of 1987 was 6% lower than during the same period the year before.

As mentioned above, food industries reduced their level of activity in 1987 after the vigorous growth experienced the preceding year (see table 8), partly because some agricultural commodities (particularly grains and beef cattle for slaughter) were in shorter supply. On the other hand, growth was observed in dairy products, wine and beer.

The manufacture of textiles, ready-made clothes and leather declined dramatically, as a consequence of the decline in domestic demand, which was not offset by the increase in exports of some materials used in the manufacture of textiles and footwear.

The fall in the supply of petroleum caused a drop in the activity of distilleries. The product of the basic petrochemicals industry rose, although certain difficulties were observed in the supply of raw materials. Some petrochemicals, such as ethylene, were imported in order to meet domestic demand.

The iron and steel industry grew again in 1987. The industry benefited by the higher rate of production in sectors it supplies with inputs, such as construction, the automobile industry and oil-well drilling. Overseas sales were also good.

Uneven behaviour was observed in branches producing machinery and durable consumer goods. Overall sales of equipment increased in spite of the fact that the demand of the agricultural sector showed no dynamism and the naval industry was depressed. Sales of household appliances remained at the same levels as before, while the automobile industry reached its highest level of production since 1980 although it experienced fluctuations and suffered a drop towards the end of the year.

iv) *Construction.* The construction product increased in 1987 for the second consecutive year (after having fallen by more than 50% between 1980 and 1985) at a considerably higher rate than in 1986 (15%). This growth affected both public and private works. The sector's recovery was reflected in significant increases in the activity of industries supplying building materials (see table 9).

Although budgetary restrictions were placed on public-building projects, works already under way continued at a normal rate. The construction on the Yaciretá binational dam continued, and turbines were purchased for it. In addition, work began on the Piedra del Aguila dam, and building projects were carried out in connection with the pipeline running from the Loma de la Plata natural gas deposit.

The recovery made by private building activity was due in part to the considerable expansion shown in official lines of credit, which led to their suspension in November. On the other hand, a sizeable number of buildings were constructed through the intermediary of the National Housing Fund, which financed projects in various parts of the country.

v) *Electricity.* Electric power generation increased by more than 5% as a result of higher demand by both industries and households. Hydroelectric power stations provided 45% of the total power generated and nuclear plants, 13%; the rest was produced by conventional thermal stations.

During 1987, the national network expanded, which provided power to replace self-generated electricity. With the north-west region incorporated into the system, only those provinces in the extreme southern part of the country have yet to be integrated. The execution of large-scale hydroelectric projects also continued. Although implementation of the programme for the construction of the Atucha II nuclear power station has fallen behind due to financial problems, work on the assembly of the reactor's pressure container was initiated.

3. The external sector

a) *Overall trends and financing of the balance-of-payments deficit*

During 1987 an appreciable drop in the balance of trade in goods, which amounted to around US\$1 billion (see table 10). This was 40% of the balance of the preceding year and a little more than one fourth of the average achieved between 1982 and 1986. This decline in the trade surplus occurred because exports and imports behaved in such a way that the trends observed the preceding year were intensified. Exports of goods dropped to US\$6.2 billion (10%), as a result primarily of the reduction in the value of cereal and oilseed sales, due to the low yields obtained in respect of the 1986/1987 crop season. Imports of goods, on the other hand, climbed by 19%, fuels and capital goods leading the way in this connection. The deficit on the real services account was cut down to around US\$400 million, as a result, in particular, of a smaller negative balance in respect of tourism. As for factor services, most of which correspond to interest payments on the external debt, they showed a deficit of US\$4.9 billion —slightly higher than that recorded the preceding year but 20% lower than the 1984 deficit, which was the largest ever reported. Thus, the current account deficit in the balance of payments

amounted to US\$4 350 000 000, which was nearly twice as high as the average deficit for the five-year period 1982/1986. Most of the 1987 deficit was covered by capital inflows, but those inflows raised the external debt, which amounted to close to US\$55 billion at the end of 1987 (see table 11). In addition reserves suffered an appreciable decline amounting to around US\$1.1 billion.

The external sector faced increasing difficulties, particularly around the middle of the year as a result of considerable losses of reserves in the second and third quarters. Delays in reaching agreements with IMF and the country's creditor banks caused delays on the part of those institutions in making disbursements, which had a harmful effect on the payments situation, and on two occasions recourse had to be had to transitory loans granted by the governments of some countries.

Negotiations were begun with IMF in January in order to obtain a 15-month stand-by loan (until March 1988) for US\$1 350 000 000, to be disbursed in six quotas and a loan of US\$480 million to offset the fall in exports. As for the negotiations with the banks they began in February, and in them special emphasis was placed on the obtaining of fresh funds. When the first quarter of the year ended without any agreements having been reached, the first tranches of the IMF loans were not drawn. Recourse was then had to a temporary loan in the amount of US\$500 million granted by 12 countries. This loan became the chief source of financing of the balance-of-payments deficit in the first quarter, in which the loss of reserves was under US\$100 million.

The agreement with creditor banks signed in mid-April was the most outstanding event of the second quarter in terms of external negotiations since it provided for the generous refinancing of over 55% of the debt and for an extension of the date of maturity of the principal to 1992. In addition, fresh funds were pledged in the amount of US\$1 950 000 000 including US\$400 million under a commercial trade loan. With regard to the terms of payment on these loans, it is significant that a considerable reduction was obtained in the margin of interest (set at 0.8% over LIBOR) and that the banks' option to use the prime rate was eliminated. It was estimated that this would produce an annual savings of around US\$280 million as from the following year. At the same time, the on-lending system (domestic lending associated with foreign refinancing), was suspended in order to improve domestic monetary control, and limits were placed on the amounts of such loans and their periods of maturity, as originally set in 1985. As for the capitalization of the debt, a ceiling of US\$1.9 billion in five years was established, with the proviso that one new dollar should be entered for every dollar capitalized. In addition, a reduction in the margins of interest on pre-existing commercial lines of credit was obtained and the percentages of commission in respect of all loans were decreased.

In spite of the progress represented by the agreements referred to, they did not solve the problem of liquidity. It took until the end of June to collect 90% of the US\$1 950 000 000 loaned by the committee of creditor banks; this percentage was roughly equivalent to the threshold set by IMF in respect of the initiation of the disbursement of its credits. By then, the balance-of-payments situation was delicate; the decrease in the trade surplus was coupled with the movement of funds set off by the expectation of heavy devaluations. In response to this and to the delay in the receipt of loans from abroad experienced during the second quarter, the country's reserves shrank considerably (by around US\$1.1 billion), falling to not much more than half their value a year earlier.

Early in July, when the IMF had to initiate the first part of the disbursements agreed to in January, the fiscal and monetary ceilings set at that time had already been exceeded. For that reason, a new agreement was set up, in which the loan to cover the drop in exports was increased to US\$670 million and the amount of the stand-by loan was set at US\$1 420 000 000, to be disbursed through an initial quota of US\$370 million payable immediately, plus five quotas of US\$210 million each. Moreover, with the goal of achieving a larger number of disbursements in 1987 so that the total amount would come close to the amount originally envisaged in January, it was agreed to set bimonthly targets for purposes of control. Consequently, during the third quarter the external deficit was financed with the funds deposited by IMF in July (around US\$1 billion, of which US\$500 million had to be used to pay back the transitory loan obtained in the first quarter) and with approximately US\$400 million in reserves, causing them to decline further.

In early October the committee of creditor banks announced the disbursement of US\$750 million corresponding to the first quota of the loan for US\$1 950 000 000 agreed to in April. The rest would be deposited in three quotas (depending on the way in which the agreements with IMF developed) of US\$500 million, US\$550 million, and US\$150 million, respectively. In November,

the government remitted a document to IMF in an effort to obtain a waiver for the non-fulfilment of the targets set in July and to unblock the entry of the second tranche of the stand-by loan. The government negotiated a new transitory loan for US\$500 million while waiting for the second tranche of the loan from its creditor banks, which entered the country near the end of the year; thus, the capital inflow during the final quarter consisted of US\$1 250 000 000 provided by the banking system and by IMF in the form of the second tranche of its loan. This caused the country's international reserves to grow to over US\$500 million during that period.

b) *Exchange policy*

In recent years, the exchange policy has been directed towards two different objectives. On the one hand, an attempt was made to avoid lags in the real exchange rate, as part of a strategy designed to motivate the production of tradeable goods; on the other hand, an effort was made to refrain from provoking sudden changes in the nominal prices of foreign exchange, which could give impetus to inflation. During 1986, the second concern predominated. The magnitude of the external deficit reached in 1987, in contrast with that shown the preceding year, reflected a swing in the pendulum in the opposite direction, and the authorities tried to raise the exchange rate. Thus, in the course of the year, the real parity of the dollar (measured by the exchange rate adjusted by the ratio between the CPI of the United States and the national CPI) for commercial transactions rose by 11%. Due to the depreciation of the dollar on international markets, the real devaluation was greater with respect to a basket of currencies of countries which maintain trade relations with Argentina (see table 12).

At the same time as foreign currency transactions were conducted on the official market a financial market, which operated informally up until October and after that legally, was also in existence. The disparity between the two rates fluctuated considerably according to the degree of confidence placed in the foreign exchange market. During most of the year, that disparity was significant and on average exceeded 25%. The widening of the gap between the two rates was an indicator which was in general responsible for the formation of expectations concerning the evolution of the exchange rate and therefore affected the demand for foreign exchange and the settlement of commercial transactions; at the same time that it may also have favoured the underdeclaration or overdeclaration of external transactions.

On 14 October, a new freeze was decided upon and far-reaching changes were introduced in the exchange system. Two foreign exchange markets were established. Transactions in real goods and services, transactions linked to loans for advances on exports, public sector capital movements, State-guaranteed funds for the private sector and amortization payments on loans taken out previously and recorded as part of the external debt were channelled through the commercial market (at an exchange rate fixed everyday by the Central Bank). All other transactions, regardless of their size and period of maturity, were dealt with by the financial market; it was understood that the authorities would refrain from intervening in that market and that a floating exchange rate would be offered in it. Although the nominal exchange rate was not increased again until the end of December, the real price of foreign exchange on the official market during the fourth quarter was the highest in recent years (see table 12). On the other hand, the legalization of financial transactions which were in many cases actually already being carried out on the parallel market had no great impact on the exchange rates; in actual fact the gap between the official and the commercial exchange rates initially tended to close after a sudden rise in the real interest rate.

c) *External trade*

i) *Exports.* The value of exports of goods fell by nearly 10% in 1987; this brought the accumulative drop during the biennium 1986-1987 to 26% (see tables 13 and 14). In 1987, the downward trend in export prices reversed, and they increased by around 5% after contracting by 20% during the preceding two-year period. On the other hand, the volume of sales again declined drastically due to the significant decrease recorded in sales of farm commodities which was not offset by the increase in exports from the stock-raising and fishery subsectors and of non-traditional industrial goods.

Cereal exports fell abruptly. The decline in sales of maize and sorghum was especially acute, having fallen to close to half what they had been the preceding year because of the meager yields of the

harvest (see table 15). Although wheat shipments were slightly larger than in 1986, they yielded equally poor results since they were still far below their usual levels.

The exported volume of oilseed products slumped by close to 20% in 1987; the prices obtained for them were, when taken together, similar to those obtained the previous year.

In addition to the impact had occasionally by weather conditions, the crop exports picture at the end of 1987 was attributable by two opposing factors. On the one hand, international prices were on the rise (although they had started at depressed levels), while the real exchange rate was one that would give impetus to production by causing taxes on exports to be eliminated. On the other hand, the policy of the United States of placing its surpluses on the market and the reaffirmation of the farm subsidies of the European Economic Community (EEC) limited the prospects for Argentine sales. Furthermore, the admission of Spain and Portugal into the CEE probably meant a decrease of around US\$200 million in Argentine exports, which would apparently not be covered by the compensations agreed to by EEC.

Exports from the stock-raising subsector climbed in both volume and price. The value of meat exports grew by 20% in the face of a higher demand due to the decline in EEC stocks. The upswing in sales was particularly dynamic in the case of the more highly processed products, such as tinned, cooked and frozen meats.

In 1987 a 5% increase was observed in the value of non-traditional industrial exports. In this connection mention should be made of the growth of sales of plastics and textiles and the sustained level of exports of iron and steel products.

ii) *Imports*. The value of imports of goods escalated for the second consecutive year, this time by around 20%. This increase can be attributed to the rise in prices and the significant growth shown in terms of volumes imported (see table 13). Even so, the imports coefficient stayed very much lower than that observed at the beginning of the decade.

Responsibility for the rise in imports was spread out among the main groups of articles, with the exception of consumer goods, which fell by around 4% (see table 16). Marked increases occurred in imports of fuels and capital goods. In the case of the former, the slump in the local production of hydrocarbons made it necessary to start to import commodities that had not been imported at all the previous year, such as gasoline of various kinds, kerosene, gas oil, diesel oil, and fuel oil. As for purchases of machinery, they experienced a generalized increase in respect of both production and transport equipment due to the rise in investment levels observed during the year and to the existence of greater facilities for the purchase of equipment from abroad. As for imports of intermediate goods, their value grew by close to 12%. This included the growth shown by purchases of electronic components and metal goods, especially steel plate and processed copper.

The government expressed its intention of increasing the degree of openness of the economy while avoiding sudden upheavals. During 1987, the regulations providing for the temporary admission of inputs and raw materials for the manufacture of exportable products were extended to include other goods. Likewise, the list of articles which can be imported automatically (not subject to previous authorization) was expanded to cover sectors considered to be internationally competitive, such as the paper and textile industries. In addition, towards the end of the year, a tariff reduction was announced for a substantial number of iron and steel and petrochemical intermediate goods.

4. Prices, wages and employment

a) *Prices*

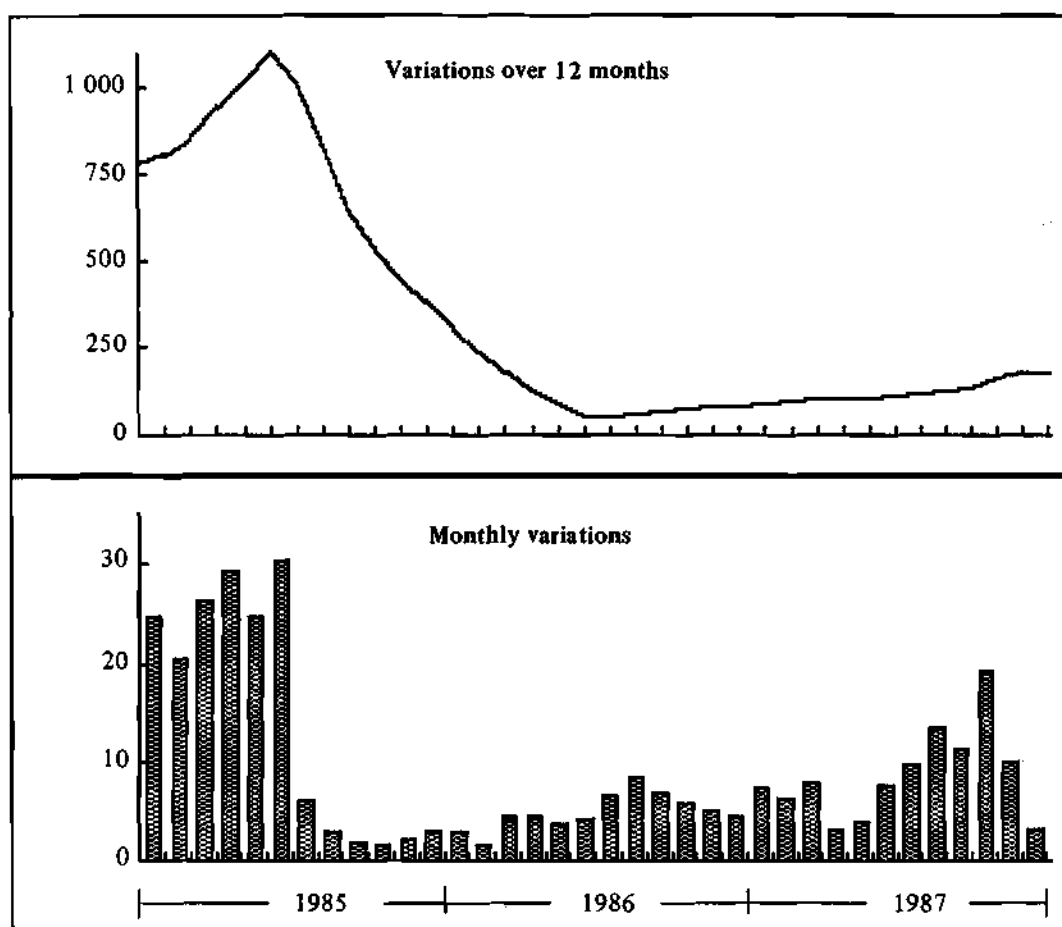
In 1987, the rate of variation of the consumer price index was nearly 175% or more than double that of the previous year. For the period 1980-1987, the rate of inflation (measured on the basis of the consumer price index) averaged over 200% a year and in no year did it fall below 80%. Although the price indicator fluctuated intensively, it showed a tendency to rise during 1987. Thus, the average monthly rate of increase of the consumer price index, was 11% in the second half of the year, whereas it had been 6% in the first half (see tables 17 and 18 and figure 2).

Although the growth in prices had slackened off in the final months of 1986, inflationary pressures persisted. In 1987, as mentioned above, two other developments took place—a significant upsurge in the fiscal deficit and a marked deterioration in the situation of the external sector. These

imbalances, the measures adopted to redress them and the existing indexing mechanisms formed a pattern of recurrent behaviour in which sharp increases in the rate of inflation were interspersed with brief periods of intervention designed to keep a rising inflation from becoming a permanent feature. This pattern produced great variability in the monthly growth rate of the CPI, which ranged from a maximum of nearly 20% in October (a month in which the WPI grew by more than 30%) down to a minimum of 3.5% in April and December.

At the beginning of the year, prices were seen to accelerate, reaching a rate of around 7% in February. In the face of this situation, a general price and wage freeze was imposed which was preceded by drastic adjustments in the exchange rate and public service tariffs. The effects of the freeze were felt in the April and May prices. However, the inflationary expectations remained because of the uncertainty concerning the fiscal situation and the future behaviour of wages. Price variations did indeed accelerate rapidly between June and October. This was due not only to short-term factors (such as the considerable rises in the price of meat in July and August) but also to sharp increases in the exchange rate and public service tariffs at a time when the fiscal deficit was high. In response to the high rate of inflation, recourse was had to another freeze in mid-October, which affected prices during the last months of the year.

Figure 2
ARGENTINA: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

In short, during most of the year highly inflationary conditions, which undermined the effectiveness of the price policy, persisted. Except for during short periods of freeze effected to strengthen that policy, the price management moved in the general direction of gradual liberalization. In some cases, sectoral agreements were negotiated, which called for the lifting of controls on the one hand and fewer import restrictions on the other.

The instability that characterized the period was reflected in significant changes in relative prices. In the second half of the year in particular, variations typical of periods in which the exchange rate is higher than it should be were seen; the wholesale price indexes grew more rapidly than consumer prices, while the prices of industrial goods gained ground with respect to the prices of services. On the other hand, public service rates experienced marked real recovery in the fourth quarter which offset the fall (with respect to the CPI) experienced earlier (see table 19).

b) *Wages and employment*

Wages dropped in real terms during 1987. According to a measure designed to take into account the level of prices in the period in which wages were spent, the average purchasing power of remunerations in the manufacturing industry seems to have declined by 8% as compared to the preceding year; the deterioration of income may well have been somewhat more moderate in commerce, the public enterprises and some sectors of the national civil service which benefited by the initiation of the wage equalization and scales programme announced the year before. Real wages in industry displayed an unmistakable tendency to decline until the last part of the year, when the decline seemed to be interrupted; in the fourth quarter wages were seen to stabilize and in the case of hourly wages in manufacturing firms, even to recover in some degree (see table 20). With that recovery taken into account, the real hourly wage of an industrial worker in December 1987 was probably slightly lower than the average for the decade.

Several factors combined to bring down real wages. As already mentioned, the difficult external situation and the fiscal deficit induced the authorities to seek an increase in the exchange rate and in real public service tariffs; normally, such movements result in a drop in wages. The acceleration of inflation (which was partly due to overly high public utility prices) and two effects on the purchasing power of wage earnings. One of these was a direct effect and had to do with the fact that wage adjustments are often based on price variations in the past with the result that wage hikes lag behind inflation in cases where inflation is accelerating. The other effect was that the fall in purchasing power between the time that wages were received and the time they were spent was particularly notable. In fact, the point at which real wages were lowest during the year coincided roughly with the point at which inflation was at its highest.

Wages were set partly through administrative channels and partly through agreements between workers and entrepreneurs. Generally speaking, all wages and salaries had to be adjusted in accordance with official provisions, but in the private sector private agreements in which monthly adjustments were usually indexed on the basis of the preceding month's inflation were commonly entered into. The official wage guidelines, on the other hand, were changed in accordance with the inflation estimates prepared by the authorities, when prices and wages were frozen, adjustments were made only once, in order to recompose the imbalances caused by the acceleration of prices immediately preceding the freeze.

Towards the end of the year, Congress sanctioned the laws on the functioning of collective labour agreements (joint labour agreements), after 12 years in which the operations of that mechanism had been suspended. Thus, the setting of wages was open to negotiation between the parties.

On the other hand, the slowdown in the rate of activity was accompanied by a greater incidence of unemployment and underemployment in the main urban centres; however, the rate of open unemployment remained moderate (see table 21). In the industrial sector, the number of workers employed in large establishments contracted slightly; thus, the productivity of such establishments seems to have grown again, despite the stagnation of economic activity.

5. Monetary and fiscal policy

a) *Monetary and financial policy*

The monetary policy was designed so as not to stir up inflation although in its application it withstood pressure from various directions. In the first place, the financial needs of the Treasury increased, and in addition it was besieged with demands for funds from provincial banks, home financing corporations and financial institutions which had been taken over or were in the process of liquidation. The effort to contain monetary expansion by issuing an appreciable volume of government bonds had direct effects on the interest rate and significantly raised the costs (present and future) of some policies for actively controlling the volume of liquidity. In the second place, the leverage of the policy was restricted by the deterioration of the external situation and the instability of the exchange markets. Finally, the acceleration of inflation was accompanied by a fall in the demand for money and other assets in national currency with the result that the monetary expansion had an impact which was both more intense and less predictable than would otherwise have been the case.

The performance of the monetary aggregates in the first half of 1987, was in some respects similar to that observed at the end of the preceding year. Thus, the money supply grew more slowly than prices, while the volume of fixed-interest assets issued by the banks kept pace with or moved slightly ahead of the inflation. This behaviour was due to influences on both the demand side (since expectations of higher inflation tended to reduce means-of-payments holdings) and the supply side; since the end of 1986, the financial institutions had been authorized to carry out operations (acceptances and public bond loan guarantees) previously channelled through extrabank markets. In the third quarter of 1987, the acceleration of prices was accompanied by a significant reduction in the real value of money, deposits and fixed-interest assets. This fall tended to be mitigated in the final months of the year when the rate of inflation waned. Thus, in respect of 1987 as a whole, the means of payment of individuals increased by 115% (considerably less than prices), while the broadest aggregate, which also includes savings and time deposits, increased by 146%. In respect of the period on average, the means of payment/GDP ratio amounted to close to 5%, which is higher than the coefficient observed in the country in times of maximum inflation, but lower than that in 1986 (see table 22).

In the first few months in 1987, the growth of the money supply was affected by the money absorbed after the fall in international reserves. As for regulated interest rates, they were set in accordance with the targeted inflation. Since the targets were exceeded, the real yields of the segment with regulated rates were negative, although the non-regulated rates on loans were higher than the rate of inflation. In this period, the parallel exchange market was observed to be under pressure, which the authorities tried to relieve through the sale of government bonds in dollars.

At the end of February, when the decision to impose a general freeze was taken, the regulated rates of interest were reduced. In March, abundant liquidity was available thanks to the larger primary expansion, which is partially attributable to the rise experienced in the sale of foreign exchange on the official market when the expectations of a devaluation weakened. In order to offset this expansion, the authorities decided to sterilize part of the loan capacity by having the banks to establish a deposit not available in the short term.

Owing to the public sector's growing needs for financing, at the beginning of the second half of the year, a significant change took place in connection with the combination of instruments used for monetary control; this was one of the most outstanding developments in 1987. The Central Bank had been operating on the basis of reserve requirements on the various deposit segments. This type of indebtedness was losing importance as a result of the growing number of open-market transactions including public bonds conducted on behalf of and by order of the central government.

Until mid-1987, all government securities had taken the form of external bonds, denominated in dollars; Treasury drafts, purchased primarily by banks on their own volition, and shares in the debt of the State petroleum corporation issued in 1986 in order to regularize arrears in payments to suppliers. As the needs for financing (including financing for making payments which had fallen due on previously issued bonds) grew, new debt instruments were put on the open market, which were adjusted according to the growth of the non-regulated interest rate, the variation of price indexes or the price of the dollar. The number of instruments placed on the market increased rapidly; the composition of the issues varied in accordance with the demand, which, when the expectations of

devaluation increased, veered more and more towards shares which could be adjusted on the basis of the exchange rate. In any case, transactions continued to be carried out with Treasury drafts and external bonds; in the case of the latter, the issue of securities in the amount of US\$1 billion was authorized in order to neutralize the expansion predicted for the future as a result of the capitalization of the external debt.

As from the second quarter, it proved possible to contain the growth of spending thanks to a monetary policy which placed more emphasis on that objective. However, although the nominal interest rates rose, the real rates fluctuated sharply (in *ex-post* terms, that is, considering the real yields actually made), partly because of changes in the degree of liquidity of the markets, but owing above all to the great variability of the inflation rate. As the price rises accelerated, the authorities readjusted the regulated rates (especially after June); however, these readjustments lagged behind the inflation. In the non-regulated segment, the real interest rates, which had been positive in the first months of the year, declined as inflation increased but returned to their former level later on when the price rises slackened off (see table 23).

In mid-October, when a price freeze was announced, it was decided to eliminate the regulated segment of the credit market; at the same time, absorption mechanisms were applied in order to offset the effects of the unification of reserves implicit in that measure. One of the purposes of eliminating regulated interest rates (which, as a general rule, were applied to small deposits and to the refinancing of debts contracted some time ago) was to reduce the operating deficit of the Central Bank; rediscounts at those rates were larger than the interest on the reserves required on deposits, while the opposite was true of the free-rate segment. In the credit markets, the elimination of the regulated-rate segment did not greatly affect the terms of loans on the margin since that segment lost a share in the total credit.

An important aspect of the development of the monetary situation was related to rediscounts. Although quantitative limits were applied to the lines directed to private entities, the demand of official and provincial banks also had to be taken into account. In order to organize the administration of rediscounts, it was proposed that their total amount should be made subject to parliamentary approval.

Another important development in the field of monetary policy was the treatment given to entities in financial difficulty. In September, it was decided to liquidate six banks which had already been taken over, since maintaining them was extremely expensive. Also, the direct sale of a large private bank which had been taken over (and was in the process of liquidation) to an Italian institution was announced. Moreover, in November, the Central Bank arranged for the temporary take-over of the National Mortgage Bank, which was in a position of non-compliance with reserve requirements and was in arrears in the payment of rediscounts.

b) *Fiscal policy*

In 1987 the deficit of the non-financial public sector (measured on the basis of payments outstanding) rose to 7% of the gross domestic product, which meant an increase of around 70% over the 1986 deficit. This sharp rise in the budgetary deficit was due to the fact that income shrank and expenditure grew at the same time. National tax earnings fell, mainly because of the decrease in the revenue from export duties and fuel taxes. On the other hand, the current expenses of the central government grew, partly because of the application of the wage equalization and scales programme (which called for rises higher than those provided for in the general norms) and for the implementation of a voluntary retirement system, which resulted in greater outlays for the compensation paid to the 15 000 civil servants who had recourse to the system. Current expenditure also rose in the provinces.

As a consequence of this increase in expenditure, the current savings of the central government (the national government, the provincial government, the Municipality of Buenos Aires and the Social Security System) shrank by an amount equivalent to around 2% of the gross domestic product, reaching negative values. Since, as a yearly average, their real earnings were smaller, the public enterprises recorded almost no savings, in comparison with the savings generated in 1986, which had represented 0.5% of the gross domestic product. Thus, the current savings of the consolidated public sector contracted considerably, while investment recovered, especially investment in the public enterprises by comparison with the previous low levels. In addition, in 1987 there was no revenue

from mandatory savings (associated with the income and property taxes), which had contributed 0.4% of the gross domestic product in 1986. As a result, the deficit of the non-financial public sector amounted to 7% of the gross domestic product, as mentioned above (see table 24). However, Central Bank losses (otherwise known as the "quasi-fiscal" deficit) lessened due to the effect of the elimination, in October 1987, of the segment of bank credits at a regulated rate, which increased the income derived from existing lines of rediscount.

The deficit was covered in part by external credit, while debt bonds (generally short-term) of varying kinds were placed on the domestic market. This policy of building up the debt was responsible for a rise in the interest rate, which in turn caused the financial deficit to mount.

The fiscal authorities of the central government faced immense financing difficulties, which were especially acute in the second and fourth quarters. Since the beginning of the year, a reduction had been foreseen in the revenue from export duties (which had been reduced in order to offset the low international grain prices), which was compounded by the termination of the compulsory savings requirements. In addition the results of the introduction of the VAT reforms and the regularization of tax liabilities (which took several months to implement) were less positive than expected. This together with the collection of public utility tariffs until the third quarter and the increase in spending, tended to intensify financing needs.

In mid-July, the authorities announced a set of measures designed to rationalize the implementation of the fiscal policy. In the area of public enterprises, it was decided to eliminate the special allocation of funds (the use of the earnings from certain taxes, such as the tax on fuels, to finance projects in pre-determined areas) and to create a public infrastructure fund so that the monies involved could be more effectively monitored and invested rationally. It was also announced that the Treasury would assume the responsibility for the external debt of enterprises and, in addition, would suspend the granting of contributions and endowments; the purpose of these steps was financially to dissociate the central government from the enterprises, so that they ran on their own resources. Moreover, it was decided that in the future rediscounts and other Central Bank transactions would be included in the budget law in order to make them explicit and subject to parliamentary control.

The objective of these decisions, as well as of the deregulation measures announced at the same time in the areas of petroleum, telecommunications and transport, was to change the rules governing the operation of public enterprises. In addition, a set of tax bills designed to increase tax earnings was announced in October. Their main provisions included the reinstitution of mandatory savings, a limitation on the reductions allowed in the income tax for accumulated losses, an increase in the aliquot of the tax on bank debits (along with a prohibition on the endorsement of cheques), and higher taxes on cigarettes and fuels, the funds generated by those taxes being earmarked for raising the number of retirements. In addition, a new federal law on co-sharing, defining the distribution of the earnings from some of the main taxes between the nation and the provinces, was introduced. This law provided for a larger percentage of participation by the provincial states, thereby reducing their dependence on national contributions.

Table 1

ARGENTINA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (1980 = 100)	92.9	87.5	89.8	91.8	87.6	92.7	94.2
Gross national income (1980 = 100)	89.1	78.9	79.5	83.2	76.6	83.2	85.3
Population (thousands of inhabitants)	28.7	29.1	29.5	29.9	30.3	30.7	31.1
Per capita gross domestic product (1980 = 100)	91.6	85.0	86.0	86.7	81.6	85.2	85.4
Growth rates							
B. Short-run economic indicators							
Gross domestic product	-7.1	-5.8	2.6	2.2	-4.5	5.8	1.6
Per capita gross domestic product	-8.4	-1.1	1.1	0.8	-5.7	4.4	0.3
Gross national income	-10.9	-11.4	0.8	4.7	-7.8	8.6	2.6
Unemployment rate ^{b,c}	4.5	4.8	4.2	3.8	5.3	4.6	5.3
Consumer prices							
December to December	131.3	209.1	433.7	688.0	385.4	81.9	174.3
Variation between annual averages	104.5	164.8	343.8	626.7	672.2	90.1	131.3
Real wages and salaries ^d	-10.8	-14.5	22.8	25.3	-12.1	5.4	-8.2
Money	68.6	222.5	370.6	522.0	593.3	85.4	111.8
Current value of exports of goods and services	9.7	-15.4	1.2	3.4	4.7	-16.2	-7.5
Current value of imports of goods and services	-11.2	-43.9	-10.7	2.4	-11.1	22.3	11.9
Terms of trade (goods and services)	-6.9	-22.6	-2.0	16.9	-18.1	-6.2	-1.2
Percentages of GPD							
Current general government income ^e	25.3	22.7	21.7	22.2	27.0	25.4	24.2
Current general government expenditure ^e	27.2	25.9	26.3	25.8	25.4	23.8	24.5
Financing needs of non-financial public sector ^f	13.3	15.0	15.6	12.6	5.9	4.3	7.3
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-757	2 667	3 469	3 648	4 765	1 957	550
Net payment of profits and interests	3 932	5 054	5 922	6 144	5 728	4 818	4 900
Balance on current account	-4 712	-2 354	-2 436	-2 495	-963	-2 861	-4 350
Balance on capital account	1 519	1 686	-13	2 660	1 940	1 987	2 750
Variation in net international reserves	-3 408	-806	-2 379	17	2 113	-1 600	-1 100
Total medium- and long-term external debt	35 671	43 634	45 069	46 903	48 312	51 400	54 700

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bSimple average of surveys for each year in the Federal Capital and Greater Buenos Aires.^cPercentages.^dVariation between annual averages of real wages.^eNational government,

provincial government, municipality of Buenos Aires and social security systems.

^fGeneral government and public enterprises.

Table 2

ARGENTINA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	81.2	86.6	88.3	115.7	108.5	2.5	-5.4	6.7	2.0
Gross domestic product at market prices	87.6	92.7	94.2	100.0	100.0	2.2	-4.5	5.8	1.6
Imports of goods and services ^b	40.1	47.7	51.0	15.7	8.5	5.7	-15.8	19.0	7.0
Total demand	81.2	86.6	88.3	115.7	108.5	2.5	-5.4	6.7	2.0
Domestic demand	73.5	81.7	85.2	103.8	93.9	4.7	-9.9	11.2	4.3
Gross domestic investment	39.1	46.2	53.6	22.7	12.9	-11.1	-20.0	18.2	16.1
Gross fixed investment	45.5	49.0	56.2	22.2	13.2	-9.0	-11.7	7.8	14.6
Construction	45.9	49.1	55.9	15.5	9.2	-16.6	-9.3	6.9	13.8
Machinery	44.5	48.9	57.0	6.7	4.0	13.8	-16.8	9.9	16.6
Changes in stocks	-217.0	-67.5	-50.1	0.6	-0.3	...	...	...	...
Total consumption	83.1	91.7	94.0	81.1	81.0	7.5	-8.4	10.3	2.6
Exports of goods and services ^b	148.8	129.3	115.7	11.9	14.6	-8.7	21.1	-13.1	-10.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bFigures on exports and imports of goods and services were taken from the IMF balance-of-payments data expressed in current dollars and converted to constant 1980 values using unit-value indexes calculated by ECLAC for the purpose.

Table 3

**ARGENTINA: GROSS DOMESTIC PRODUCT BY TYPE OF ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	87.6	92.7	94.2	100.0	100.0	2.2	-4.5	5.8	1.6
Goods	82.8	88.9	90.0	43.0	41.1	0.8	-7.2	7.4	1.3
Agriculture ^b	113.1	110.0	112.0	8.6	10.2	3.2	-1.3	-2.8	1.8
Mining	98.1	97.6	95.8	2.4	2.4	-0.6	-2.6	-0.5	-1.9
Manufacturing	82.0	92.5	92.0	25.0	24.4	3.8	-10.3	12.9	-0.6
Construction	43.5	47.5	54.4	7.1	4.1	-20.0	-6.7	9.0	14.8
Basic services	103.4	108.1	111.4	10.2	12.1	5.0	-1.7	4.5	3.1
Electricity, gas and water	118.8	127.7	134.5	2.5	3.6	6.5	1.4	7.4	5.4
Transport, storage and communications	98.3	101.6	103.8	7.7	8.4	4.4	-2.9	3.4	2.2
Other services	88.7	92.9	94.2	46.8	46.8	2.8	-2.8	4.7	1.5
Commerce, restaurants and hotels	77.9	84.6	85.9	18.0	16.4	4.5	-8.2	8.7	1.5
Financial institutions, insurance, real estate and business services	83.3	87.9	90.1	13.7	13.1	1.2	-0.7	5.5	2.5
Ownership of dwellings	107.8	109.0	110.2	5.0	5.8	1.2	1.2	1.1	1.1
Community, social and personal services	106.5	107.3	108.0	15.1	17.3	2.4	1.0	0.7	0.7
Government services	105.7	106.1	106.6	11.1	12.5	2.3	0.9	0.4	0.5

Source: ECLAC, on the basis of official figures reweighted on the basis of 1980 prices. Therefore, the results obtained do not necessarily coincided with those published by countries in their constant price calculations.

^a Preliminary figures.

^b Includes the livestock sector, forestry and fishing.

Table 4

ARGENTINA: INDICATORS OF AGRICULTURAL PRODUCTION

	Australas at 1970 prices					Growth rates		
	1980	1984	1985	1986	1987 ^a	1985	1986	1987 ^a
Gross domestic product of agricultural sector at factor cost ^b	1 255.7	1 439.3	1 420.3	1 380.7	1 406.1	-1.3	-2.8	1.8
Crop-farming ^c	712.6	910.3	896.3	857.0	868.3	-1.5	-4.4	1.3
Cereals	230.8	321.4	296.2	261.8	239.6	-7.8	-11.6	-8.5
Oilseeds	153.0	264.4	285.4	266.9	285.1	7.9	-6.5	6.8
Industrial crops	156.7	146.9	137.6	141.3	152.4	-6.3	2.7	7.9
Stock raising ^d	500.6	481.6	485.3	481.8	491.8	0.8	-0.7	2.1
Beef cattle	387.3	337.8	332.7	320.8	319.8	-1.5	-3.6	-0.3
Milk	75.8	75.0	82.7	87.5	91.8	10.3	5.8	4.9
Wool	27.0	22.6	21.1	22.2	24.1	-6.6	5.2	8.6
Pigs and poultry	20.9	28.1	30.2	32.5	35.2	7.5	7.6	8.3
Fishing	7.8	7.0	8.8	9.1	11.3	25.7	3.4	24.2

Source: ECLAC office in Buenos Aires, on the basis of official data.

^aPreliminary figures.^bAlso includes agricultural construction, hunting, forestry and lumbering.^cAlso includes

vegetables, legumes, fruits and flowers.

^dAlso includes other livestock.

Table 5

ARGENTINA: AREA SOWN AND CROP PRODUCTION

	Area sown ^a (millions of hectares)				Production ^a (millions of tons)			
	Average 1982/1983 1986/1987	1985/ 1986	1986/ 1987 ^b	1987/ 1988 ^b	Average 1982/1983 1986/1987	1985/ 1986	1986/ 1987 ^b	1987/ 1988 ^b
Cereals	15.3	14.0	12.6	12.1	29.3	25.9	22.4	22.9
Wheat	6.3	5.7	5.0	5.0	11.9	8.7	9.0	10.0
Sorghum	2.0	1.4	1.1	1.2	5.6	4.0	3.0	2.7
Maize	3.6	3.8	3.7	2.8	10.4	12.1	9.3	8.9
Oilseeds	6.3	7.4	6.6	7.3	10.0	11.9	10.1	11.7
Linseed	0.8	0.8	0.8	0.7	0.6	0.5	0.6	0.5
Sunflower	2.3	3.1	1.9	2.1	2.9	4.1	2.2	2.7
Soya	3.1	3.3	3.7	4.3	6.3	7.1	7.0	8.3
Total annual crops	23.8	22.4	20.1	20.5				

Source: Ministry of Agriculture, Livestock and Fisheries.

^aThe unit of time is the crop-farming year.^bPreliminary or estimated figures.

Table 6

ARGENTINA: INDICATORS OF CATTLE FARRING

Season July- June	Stocks ^a Millions of head	Slaugh- tering Millions of head	Slaugh- tering rate (percent- age) ^c	Yield in kilo- grammes of dressed meat per head ^c	Proportion of cows and heifers in typified slaugh- tering (%) ^d	Annual per capita consump- tion (kilo- grams)	Prices of steers in terms of:	
							Indus- trial prices ^{e,f}	Wheat prices ^g
1980-1981	55.8	14.4	25.8	203.0	31.9	86.7	0.478	4.86
1981-1982	54.2	14.1	26.0	202.6	33.4	78.8	0.478	4.15
1982-1983	52.7	11.5	21.8	211.6	33.1	64.0	0.599	5.67
1983-1984	53.8	11.6	21.7	213.2	32.8	69.9	0.524	6.40
1984-1985	54.6	12.9	23.6	203.9	34.4	77.0	0.390	5.90
1985-1986	54.0	13.6	24.8	202.0	33.1	78.4	0.334	5.80
1986-1987	52.5	13.4	25.9	210.0	34.0	77.5	0.540	8.57
1987-1988 ^h	51.0	11.5	21.0	216.0	33.0	68.0	0.550	7.00
1986 ^{h,i}								
1st half year	...	7.0	...	199.0	33.1	81.0	0.416	6.00
2nd half year	...	6.7	...	211.0	34.0	80.0	0.508	8.05
1987 ^{h,i}								
1st half year	...	6.6	...	208.0	34.1	75.0	0.568	9.10
2nd half year	...	5.8	...	215.0	33.4	68.0	0.593	6.08

Source: National Meat Board, Ministry of Agriculture and the ECLAC Office in Buenos Aires, on the basis of official data.

^aTo 1 July. ^bSlaughtering for the period as a percentage of the stocks at 1 July. ^cAverage for the period. ^dSlaughtering controlled by the National Meat Board, which represent between 75% and 80% of the total (registered) commercial slaughtering. ^eRefers to registered slaughtering, which differs from the total because it does not include the estimated slaughtering *in situ* (around 360 000 head per year). ^fJune 1985 australs. Average price on the Liniers market. ^gKilograms of wheat needed to buy one kilogram of live steer. Based on the average price of wheat on the Grain Exchange. The price of steer is based on the average price of steer on the Liniers-market. ^hPreliminary figures and projections. ⁱThe series are seasonal. The values shown in the table are not adjusted to account for seasonal factors.

Table 7

ARGENTINA: INDICATORS OF MINING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Gross domestic mining product at factor cost (australs at 1970 prices)	246.2	248.1	241.6	240.4	235.9	-0.6	-2.6	-0.5	-1.9
Production of some important minerals									
Petroleum (millions of m ³)	28.6	27.8	26.7	25.2	24.8	-2.2	-4.2	-5.6	-1.3
Marketable coal (thousands of tons)	389.0	509.2	400.2	364.9	374.0	4.8	-21.4	-8.8	2.5
Injected gas (millions of m ³) ^b	7 926.0	12 217.0	12 646.5	13 828.2	...	8.2	3.5	9.3	...
Gases available for sale (millions of m ³) ^b	...	...	...	12 119.0	12 507.0	...	...	...	3.2

Source: Central Bank of Argentina and Ministry of Energy.

^aPreliminary figures.^bAfter deduction of imports.

Table 8

ARGENTINA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Gross domestic product of manufacturing at factor cost (australs at 1970 prices)	2 464.9	2 252.8	2 020.1	2 280.2	2 267.3	3.8	-10.3	12.9	-0.6
Food	535.9	529.3	529.4	576.0	553.3	7.6	-	8.8	-3.9
Textiles	246.0	224.3	174.4	212.7	196.7	2.5	-22.2	22.0	-7.5
Wood	44.6	29.4	25.2	29.9	30.2	-6.5	-14.3	18.7	1.0
Paper	122.4	114.3	110.5	115.9	111.1	1.1	-3.3	4.9	-4.1
Chemicals	364.9	387.0	364.8	398.2	388.7	5.2	-5.7	9.2	-2.4
Non-metallic minerals	132.9	102.9	80.0	98.0	107.3	-7.3	-22.3	22.5	9.5
Basic metal industries	136.8	137.6	128.4	144.6	164.6	-3.4	-6.7	12.6	13.8
Machinery and equipment	711.3	572.5	468.0	547.6	559.1	5.2	-18.3	17.0	2.1
Other industries	170.2	155.5	139.4	157.3	156.4	3.8	-10.3	12.9	-0.6
Production of some important manufactures									
Pig iron									
(thousands of tons) ^b	1 806	1 792	2 299	2 582	2 850	-3.8	28.3	12.3	10.4
Crude steel									
(thousands of tons)	2 702	2 652	2 945	3 246	3 631	-10.6	11.1	10.2	11.9
Finished hot-rolled products									
(thousands of tons) ^c	2 653	2 441	2 057	2 479	2 805	-3.6	-15.7	20.5	13.2
Flat cold-rolled products									
(thousands of tons) ^d	732	818	574	828	917	0.3	-29.8	44.2	10.7
Motor vehicles									
(thousands of units)	282	167	138	171	193	4.6	-17.7	23.8	13.4
Tractors (units)	3 481	12 322	6 377	8 056	3 153	51.6	-48.2	26.3	-60.9

Source: Central Bank of Argentina, Centro de Industriales Siderúrgicos; Asociación de Fábricas de Automotores and Asociación de Fábricas Argentinas de Tractores.

^aPreliminary figures. ^bIncludes sponge iron. ^cIncludes products intended for cold rolling. ^dFigures which cannot be included in those corresponding to hot-rolled product.

Table 9

ARGENTINA: INDICATORS OF CONSTRUCTION ACTIVITIES

	1983	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Construction permits granted (thousands of square metres)									
Federal Capital	781	998	1 256	948	1 045 ^b	27.8	25.9	-24.5	10.2
Comodoro Rivadavia	188	155	124	204	...	-17.6	-20.0	64.5	...
Rosario	332	514	474	508	...	54.8	-7.8	7.2	...
Mendoza	112	114	141	131	...	1.8	23.7	-7.1	...
Santa Fe	72	87	60	99	98	20.8	-31.0	65.0	-1.0
Supply of some building materials									
Deliveries of cement to the domestic market (thousands of tons)	5 518	5 161	4 513	5 334	6 087	-6.5	-12.6	18.2	14.1
Public works	972	806	652	803	1 098	-17.1	-19.1	23.2	36.7
Private works	4 546	4 355	3 861	4 531	4 989	-4.2	-11.3	17.4	10.1
Deliveries to the domestic market of steel products for reinforced and prestressed concrete (thousands of tons)	310	284	219	306	370	-8.4	-22.9	39.7	20.9

Source: National Institute of Statistics and Censuses, Asociación de Fabricantes de Cemento Portland and Instituto Argentino de Siderurgia.

^a Preliminary figures.

^b Yearly figure estimated on the basis of data for the first 11 months.

Table 10

ARGENTINA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-4 774	-4 712	-2 354	-2 436	-2 495	-963	-2 861	-4 350
Trade balance	-3 191	-757	2 667	3 469	3 648	4 765	1 957	550
Exports of goods and services	9 891	10 854	9 183	9 291	9 607	10 063	8 435	7 800
Goods FOB	8 022	9 142	7 622	7 838	8 101	8 419	6 851	6 200
Real services ^b	1 870	1 710	1 560	1 454	1 506	1 644	1 584	1 600
Transport and insurance	810	887	713	755	833	893	746	675
Travel	345	413	610	453	440	523	561	620
Imports of goods and services	13 081	11 610	6 516	5 822	5 959	5 298	6 478	7 250
Goods FOB	9 394	8 432	4 859	4 120	4 119	3 524	4 391	5 230
Real services ^b	3 688	3 180	1 655	1 700	1 841	1 774	2 087	2 020
Transport and insurance	1 271	1 164	733	737	898	708	745	890
Travel	1 792	1 472	566	507	600	679	894	800
Factor services	-1 607	-3 932	-5 054	-5 922	-6 144	-5 728	-4 818	-4 900
Profits	-585	-738	-317	-424	-439	-427	-485	-550
Interest received	1 229	887	526	440	265	253	358	200
Interest paid	-2 175	-3 851	-4 926	-5 425	-5 537	-5 149	-4 297	-4 150
Others	-76	-233	-339	-514	-433	-404	-393	-400
Unrequited private transfer payments	23	-21	34	16	2	.	1	.
Balance on capital account	2 176	1 519	1 686	-13	2 660	1 940	1 987	2 750
Unrequited official transfer payments	.	.	.	.	.	.	.	.
Long-term capital	4 492	9 965	3 844	1 715	-322	4 396	1 976	...
Direct investment (net)	788	943	257	183	267	968	575	20
Portfolio investment (net)	153	1 123	1 888	1 140	759	-504	-381	...
Other long-term capital	3 550	7 899	1 698	393	-1 349	3 932	1 782	...
Official sector ^c	478	962	-44	376	1 440	5 433	2 130	...
Loans disbursed	510	1 034	230	2 497	2 332	6 538	3 131	...
Amortization payments	-36	-48	-225	-2 110	-541	-948	-287	...
Commercial banks ^c	-65	363	267	38	-33	.	-1	...
Loans disbursed	89	399	737	264	8	16	15	...
Amortization payments	-155	-37	-469	-227	-40	-16	-16	...
Other sectors ^c	3 138	6 574	1 475	-22	-2 756	-1 501	-347	...
Loans disbursed	4 231	8 795	2 602	2 447	279	544	761	...
Amortization payments	-1 229	-1 696	-650	-2 295	-2 862	-2 057	-1 038	...
Short-term capital (net)	-2 011	-8 244	-1 758	-1 289	3 037	-2 142	-294	...
Official sector	313	299	2 682	-91	1 896	-2 810	-660	...
Commercial banks	-365	24	351	311	-523	651	29	...
Other sectors	-1 958	-8 567	-4 791	-1 509	1 664	17	337	...
Errors and omissions (net)	-307	-205	-401	-440	-55	-315	305	...
Global balance ^d	-2 598	-3 193	-668	-2 450	165	978	-874	-1 600
Total variation in reserves (- sign indicates an increase)	2 666	3 408	806	2 379	-17	-2 113	1 600	1 100
Monetary gold	-1	.	.	.	.	.	.	...
Special Drawing Rights	-1	-76	404	.	-1	1	.	...
IMF reserve position	-133	57	178	100	.	.	.	...
Foreign exchange assets	2 801	3 426	225	1 105	57	-2 029	555	...
Other assets	.	.	.	.	.	-1 297	616	...
Use made of IMF credit	.	.	.	1 174	-73	1 211	429	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dThe total variation of reserves (of opposite sign) plus counterpart items.

Table 11

ARGENTINA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total external debt^b	35 671	43 634	45 069	46 903	48 312	51 400	54 700
Public	20 024	28 616	31 709	36 139	39 868	44 000	...
Private	15 647	15 018	13 360	10 764	8 444	7 400	...
Gross interest	3 850	4 926	5 423	5 537	5 132	4 291	4 000
Percentages							
Total external debt/exports of goods and services	3.1	4.6	4.7	4.8	4.8	6.1	7.0
Gross interest/exports of goods and services	0.3	0.5	0.6	0.6	0.5	0.5	0.5

Source: ECLAC Office in Buenos Aires, on the basis of official data.

^aEstimates figures. ^bDebt actually contracted. These figures include external debts in capital and arrears.

Table 12

ARGENTINA: EVOLUTION OF EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rate (Austral per dollar)	Indexes of real effective exchange rate ^a	
		Exports	Imports
1970-1979	0.00003	143.7	148.3
1980	0.0002	100.0	100.0
1981	0.0005 ^b	134.4	143.1
1982	0.002 ^b	166.3	169.6
1983	0.01	157.9	166.6
1984	0.07	150.2	168.4
1985	0.60	171.8	190.8
1986	0.94	189.6	190.3
1987	2.14	216.0	212.8
1985			
I	0.25	162.3	186.4
II	0.56	164.5	195.4
III	0.80	178.5	196.6
IV	0.80	181.8	184.7
1986			
I	0.80	188.4	190.2
II	0.85	188.1	189.2
III	0.97	188.7	189.1
IV	1.15	193.0	192.6
1987			
I	1.41	210.4	208.4
II	1.61	214.4	211.9
III	2.15	210.4	207.3
IV	3.42	229.1	224.0

Source: ECLAC, on the basis of figures from the International Monetary Fund, *International Financial Statistics*.

^aCorresponds to the average of the indexes of the real exchange rate of the austral in relation to the currencies of Argentina's main trading partners, weighted by the relative importance of exports or imports to or from these countries. From 1970 to 1980 these weightings correspond to the average for the period 1975-1979. From 1981 they correspond to the averages for the period 1982-1985. For purposes of the calculations, wholesale price indexes have been preferred. For the methodology and sources used, see the technical appendix of the *Economic Survey of Latin America, 1981*. ^bIn the second half of 1981 and 1982, an average of the financial and commercial exchange rates were used (50% for each).

Table 13

ARGENTINA: MAIN INDICATORS OF FOREIGN TRADE IN GOODS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Export FOB							
Value	14.0	-16.6	2.8	3.4	3.9	-18.6	-9.5
Volume	17.7	-2.1	13.6	-8.5	20.2	-12.9	-13.6
Unit value	-3.2	-14.9	-9.5	13.0	-13.5	-6.6	4.7
Imports FOB							
Value	-10.2	-42.2	-15.5	-	-14.4	24.6	19.1
Volume	-10.4	-40.2	-10.5	6.9	-18.5	19.9	11.3
Unit value	0.1	-3.6	-5.2	-6.5	5.0	4.0	7.0
Terms of trade	-3.7	-11.9	-4.9	18.9	-16.7	-9.5	-2.2
Indexes (1980 = 100)							
Purchasing power of exports	113.4	97.9	105.7	115.0	115.2	90.9	76.8
Volume of exports	117.7	115.3	131.0	119.8	144.0	125.4	108.4
Volume of imports	89.6	53.6	47.9	51.3	41.8	50.1	55.7
Terms of trade FOB/CIF	96.3	84.9	80.7	96.0	80.0	72.4	70.9

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 14

ARGENTINA: COMPOSITION OF EXPORTS OF GOODS, FOB

	Percentage breakdown			Growth rates			
	1970	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	100.0	100.0	100.0	3.4	3.9	-18.6	-9.5
Products of agricultural origin	86.4	73.4	69.4	3.8	-6.1	-17.0	-14.8
Livestock products	39.5	21.8	18.7	-14.6	-5.4	12.8	8.7
Meat	24.9	12.1	9.0	-32.8	-4.7	20.4	20.2
Wool, animal hair and horsehair	4.9	3.5	2.9	14.9	-9.3	-8.7	0.6
Hides and skins	5.5	4.5	5.3	15.5	-5.2	18.0	-3.2
Other livestock products	4.2	1.7	1.5	-36.5	1.4	9.5	11.1
Crop-farming products	46.7	49.8	46.3	8.5	-6.2	-24.5	-23.7
Cereals	31.0	21.7	11.6	-22.3	-0.2	-44.2	-44.4
Oilseeds and oils	8.0	16.6	25.8	75.3	-16.1	-5.7	-15.2
Other crop-farming products	7.7	11.5	8.9	10.2	10.0	-12.4	-5.3
Fishery products	0.2	1.8	4.4	-4.2	-7.0	46.3	25.6
Non-traditional industrial products	13.6	26.6	30.6	2.2	41.7	-22.0	5.1
Fuels	0.4	3.5	1.6	-0.6	83.0	-74.2	-37.8
Other non-traditional industrial products	13.2	23.1	29.0	3.0	30.6	-2.3	9.4

Source: ECLAC Office in Buenos Aires, on the basis of data from the National Institute of Statistics and Censuses, the National Meat Board and other sources.

^aPreliminary figures.

Table 15

ARGENTINA: MAIN EXPORTS OF AGRICULTURAL ORIGIN

	Thousands of tons				Growth rates		
	1984	1985	1986	1987 ^a	1985	1986	1987 ^a
Cooked and frozen meat	22.0	23.9	23.5	28.4	8.6	-1.7	20.9
Corned beef	29.8	39.3	38.5	50.6	31.9	-1.0	30.1
Unwashed wool ^b	42.9	35.4	57.0	32.0	-17.5	4.5	-13.5
Washed and carbonized wool ^b	47.7	49.2	55.6	50.0	3.1	13.0	-10.1
Wheat	7 245	9 583	4 120	4 170	32.3	-57.0	1.2
Maize	5 547	7 069	7 395	3 895	27.4	4.6	-47.3
Sorghum	4 199	3 273	1 959	1 036	-22.1	-40.1	-47.1
Soya beans	3 137	2 964	2 586	1 319	-5.5	-12.8	-49.0
Sunflower-feed oil	595	863	998	680	45.0	15.6	-31.9
Soya oil	484	551	692	690	13.8	25.5	-0.2
Sunflower byproducts	217	1 185	1 400	930	446.5	18.1	-33.6
Soya byproducts	2 554	2 543	3 404	3 400	-0.4	33.9	-0.1
Sugar	347	148	104	90	-57.3	-29.5	-13.7

Source: ECLAC Office in Buenos Aires, on the basis of data from the Department of Agriculture, Livestock and Fisheries (SAG y P), the Central Bank of Argentina (BCRA), the National Meat Board (JNC) and the Wool Federation.

^aEstimated figures. ^bThousands of unwashed tons.

Table 16

ARGENTINA: COMPOSITION OF IMPORTS OF GOODS, CIF

	Percentage breakdown			Growth rates			
	1970	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	100.0	100.0	100.0	1.8	-16.8	23.9	20.7
Capital goods	21.5	22.7	17.1	-16.4	0.8	-5.2	58.8
Fuels and lubricants	4.8	11.1	11.1	4.3	-6.1	-8.0	48.9
Intermediate goods	68.9	48.6	67.0	4.8	-21.7	35.6	12.4
Chemical, plastic and rubber products	15.3	12.9	...	2.5	-23.7	29.7	...
Paper and pulp	5.9	2.9	...	-34.1	-18.8	69.6	...
Metals and metal products, electrical equipment and components, spares for machinery and transport equipment	32.6	21.9	...	9.9	-17.5	24.5	...
Other intermediate goods	15.1	10.9	...	6.9	-28.3	75.1	...
Consumer goods	4.8	17.6	4.8	19.6	-20.8	44.9	-4.2

Source: ECLAC Office in Buenos Aires, on the basis of data supplied by the Central Bank of Argentina.

^aPreliminary figures.

Table 17

ARGENTINA: EVOLUTION OF DOMESTIC PRICES

	1981	1982	1983	1984	1985	1986	1987
Variations from December to December							
Consumer price index	131.3	209.7	433.7	688.0	385.4	81.9	174.8
Food	135.8	218.4	415.2	713.2	366.9	86.0	169.7
Clothing	104.8	289.4	486.7	749.4	283.3	70.4	161.2
Housing, fuel and electricity	111.8	181.2	512.1	526.1	420.8	72.7	183.6
Wholesale price index	176.1	320.7	427.0	585.0	363.9	57.9	181.6
Imported products	249.5	566.6	323.4	551.7	405.7	53.5	215.8
National products	171.9	301.5	440.3	588.3	360.0	58.4	178.4
Agricultural	183.5	319.7	402.2	601.0	336.4	74.4	153.5
Manufactured	171.1	298.5	447.1	586.2	363.9	55.8	182.8
Variation between annual averages							
Consumer price index	104.5	164.8	343.8	626.7	672.2	90.1	131.3
Food	99.2	178.4	339.0	638.9	624.1	98.1	132.8
Clothing	81.4	188.3	411.3	726.7	486.3	88.2	107.9
Housing, fuel and electricity	111.1	133.8	366.2	525.6	768.5	69.0	128.8
Wholesale price index	104.8	258.7	374.2	551.1	666.1	63.9	122.9
Imported products	155.7	442.3	312.3	498.3	759.7	60.2	130.7
National products	101.9	244.8	381.5	556.4	657.4	64.2	122.1
Agricultural	74.9	285.2	404.2	534.6	489.3	111.5	116.2
Manufactured	111.2	238.5	377.5	560.5	687.7	57.9	123.1

Source: ECLAC Office in Buenos Aires, on the basis of data from the National Institute of Statistics and Censuses.

Table 18

ARGENTINA: EVOLUTION OF THE MAIN NOMINAL VARIABLES^a

Period	Index of wholesale prices				Consumer price index	Industrial wages ^b	Public service charges ^c	Commercial exchange rate	M ₁ (seasonal factors not taken into account) ^d	M ₂ ^d
	Total	Agricultural	National non-agricultural	Imported products						
1985	13.6	13.1	13.6	14.5	14.1	11.8	14.1	14.3	17.9	15.5
1986	3.9	4.7	3.8	3.6	5.1	5.0	3.9	3.5	5.3	6.4
I	0.7	0.9	0.6	1.5	3.1	2.5	0.1	-	6.5	6.0
II	3.4	5.9	3.1	2.4	4.4	5.6	4.8	2.9	3.9	5.5
III	7.1	12.5	6.2	6.2	7.6	6.0	5.7	6.3	3.7	5.4
IV	4.4	0.2	5.2	4.5	5.4	6.0	4.9	4.9	6.9	8.9
1987 ^e	9.0	8.1	9.1	10.2	8.8	8.3	8.6	9.3	6.6 ^f	7.9 ^f
I	6.7	7.5	6.5	6.8	7.4	4.5	6.8	8.3	7.8 ^f	6.4 ^f
II	4.5	5.6	4.4	3.8	5.2	6.5	4.2	3.7	3.1 ^f	6.7 ^f
III	13.5	13.5	13.3	14.8	11.8	11.2	10.4	12.6	4.1 ^f	7.5 ^f
IV	11.7	5.9	12.2	15.3	10.9	10.8	13.3	12.7	11.8 ^f	11.2 ^f

Source: ECLAC Office in Buenos Aires, on the basis of official data.

^aMonthly rates, equivalent to variation between extremes for each period, in percentages.^bNormal hourly wage of workers in manufacturing.^cPrices and charges of public enterprises (general level).^dAverage of month-end balances.^eProvisional figures.^fEstimated figures.^bNormal hourly wage of^dAverage of month-end

Table 19

ARGENTINA: PRICE VARIATIONS WITH RESPECT TO CONSUMER PRICE INDEX^a

Period	Wholesale price index				Public service charges ^b	Commercial exchange rate	Measurements of dispersion ^c	
	Total	Agricultural	National non-agricultural	Imported products			Difference between maximum and minimum variations	Standard deviation of variations
1984	-7.9	-8.7	-8.1	-3.4	15.7	-4.0	24.4	8.6
1985	-4.4	-10.1	-4.4	4.2	0.1	2.6	14.3	4.9
1986	-13.2	-4.1	-14.3	-15.6	-13.4	-16.7	16.7	6.4
1987 ^d	2.5	-8.3	2.9	14.9	-1.8	5.3	23.2	7.0
I	-1.9	0.1	-2.4	-1.7	-1.7	2.2	4.6	1.6
II	-2.0	0.9	-2.3	-4.0	-2.9	-5.0	5.9	2.1
III	4.6	4.8	4.2	8.3	-3.6	3.2	11.9	3.8
IV	1.9	-13.5	3.6	12.5	6.7	5.1	26.0	8.0

Source: ECLAC Office in Buenos Aires, on the basis of official data.

^aVariation between extremes, in percentages. The figures correspond to values of $(1 + \hat{y}_t / 1 + \hat{x}_t - 1)$, \hat{y}_t being the rate of variation of each series and \hat{x}_t , the rate of variation of the CPI.^bPrices and charges of public enterprises (general level).^cFor purposes of calculating these measurements, account was taken (besides the series plain in the table) of a series with constant value equal to zero which represents, for each period, the variation in the consumer price index in relation to itself.^dPreliminary figures.

Table 20

ARGENTINA: EVOLUTION OF WAGES IN MANUFACTURING^a

(Growth rates in relation to the preceding period)

	A. Total average real wage per worker					
	1982	1983	1984	1985	1986	1987
Variation between averages	-14.5	22.8	25.3	-12.1	5.4	-8.2
Variation between extremes	-3.6	35.1	8.3	-5.3	1.8	-11.0

	B. Normal average real wage per hour ^b											
	1985				1986				1987			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Variation between averages	-9.6	-2.5	-2.0	-1.6	1.8	-0.6	-1.9	0.7	-5.1	-1.0	-7.6	3.9
Variation between extremes	-13.3	11.4	-10.2	1.2	-2.5	2.4	-4.5	1.1	-6.1	0.6	-6.0	4.7

Source: ECLAC Office in Buenos Aires, on the basis of data supplied by the National Institute of Statistics and Censuses.
^aDeflated by the average CPI for the month of receipt and for the following month; this implies measuring the purchasing power of wages received monthly at the time of collection or that of wages received fortnightly and spent uniformly over the period.
^bThe normal wage excludes the components which show seasonal variations.

Table 21

ARGENTINA: EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT

	A. Unemployment rates ^a									
	1983		1984		1985		1986 ^b		1987	
	April	October	April	October	April	October	April	October	April	October
Capital and Greater Buenos Aires	5.2	3.1	4.1	3.5	5.7	4.9	4.8	4.4	5.4	5.2
Córdoba	4.4	5.6	4.4	5.1	5.3	4.7	6.4	5.1	4.9	5.5
Greater Mendoza	4.5	4.5	3.3	3.7	3.6	3.7	4.9	3.3	3.6	3.1
Greater Rosario	6.3	...	6.8	6.2	10.9	10.2	6.8	7.2	7.3	8.3
Greater Tucumán	8.1	7.5	8.5	10.6	12.1	11.4	13.6	12.5	15.1	9.8

	B. Employment and hours worked in manufacturing ^c												
	1983	1984	1985	1986	1987	1986				1987			
						I	II	III	IV	I	II	III	IV
Workers employed	75.4	77.6	74.8	71.7	71.4	74.8	69.8	69.9	72.1	74.0	69.8	69.1	72.6
Hours worked	79.4	80.2	73.7	74.4	73.5	67.8	74.3	78.8	76.5	68.2	74.9	76.4	74.4

Source: National Institute of Statistics and Censuses.

^aExpressed in percentage over the economically active population.

^bSurveys carried out in June and November in the

Capital and Greater Buenos Aires and in May and October in the other cities.

^cIndexes 1970 = 100.

Table 22

ARGENTINA: MONETARY BALANCE

	Year-end balance (millions of australs)					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Money (M₁)	69.9	434.8	3 014.3	5 587.5	12 000.0	522.0	593.3	85.4	114.8
Currency outside banks	46.3	313.4	2 022.3	3 989.6	9 200.0	576.9	545.3	97.3	130.6
Current account deposits	23.6	121.4	992.0	1 597.9	2 800.0	414.4	717.1	61.1	75.2
Factors of expansion	216.7	1 459.3	7 848.9	16 663.3	41 000.0	573.4	437.9	112.3	146.0
Net international reserves	-183.7	-1 139.6	-5 406.4	-8 062.9	-19 000.0				
Net domestic credit	400.4	2 598.9	13 255.3	24 726.2	60 000.0	549.1	410.0	86.5	142.7
Government and public institutions (net)	208.8	1 205.3	7 129.2	14 043.8	...	477.3	491.5	97.0	-
Advances for the Monetary Regulation Account	40.7	423.8	2 282.6	5 488.7	17 800.0	941.3	438.6	140.5	224.3
External financing to the Central Government (net)	-	-	3 108.8	5 626.7	10 100.0	-	-	81.0	79.5
Other loans to government (net of deposits) ^b	168.1	781.5	1 737.8	2 928.4	...	364.9	122.4	68.5	-
Private sector ^b	290.8	1 902.1	8 980.6	16 501.3	...	554.1	372.1	83.7	-
Other accounts (net)	-99.2	-508.5	-2 854.5	-5 918.9	...	-	-	-	-
Quasi-money (savings and time deposits)^b	146.8	1 024.5	4 834.6	11 075.8	29 000.0	597.9	371.9	129.1	161.8
Percentages									
Monetary multipliers^c									
M ₁ /Monetary base	31.8	36.2	54.5	64.0	79.2	-	-	-	-
M ₂ /Monetary base ^d	107.9	122.1	188.7	194.3	280.9	-	-	-	-
Coefficients of liquidity									
M ₁ /GDP	3.8	3.7	3.5	5.6	5.1	-	-	-	-
M ₂ /GDP ^d	13.8	13.0	12.4	17.2	18.2	-	-	-	-

Source: ECLAC Office in Buenos Aires, on the basis of data from the Central Bank of Argentina.

^aEstimated figures. ^bIncludes resources due. ^cAnnual average of values obtained from month-end balances. ^dM₂ = M₁ + quasi-money.

Table 23

ARGENTINA: INTEREST RATES^a

	Monthly equivalent rates, in percentages								
	Nominal			CPI-related ^b			WPI-related ^b		
	Deposits ^c	Loans ^d	Loans ^e	Deposits ^c	Loans ^d	Loans ^e	Deposits ^c	Loans ^d	Loans ^e
1983	11.6	12.6	18.1	-2.7	-1.8	3.0	-2.4	-1.3	3.4
I	10.2	11.2	14.6	-1.2	-0.3	2.7	-0.1	0.8	3.9
II	9.6	10.6	15.0	-2.5	-1.6	2.3	-2.2	-1.3	2.7
III	12.2	13.2	20.6	-5.4	-4.5	1.8	-6.3	-4.8	0.8
IV	14.5	15.5	22.5	-1.7	-0.8	5.2	-0.8	0.1	6.2
1984	14.0	15.3	19.6	-4.9	-3.7	-0.2	-4.0	-2.9	0.7
I	10.5	11.5	13.6	-6.8	-6.0	-4.2	-6.3	-5.5	-3.7
II	13.0	14.0	18.6	-4.0	-3.2	0.7	-3.4	-2.5	1.4
III	15.5	17.0	19.7	-6.2	-5.0	-2.9	-4.2	-3.0	-0.8
IV	17.0	19.0	27.0	-2.4	-0.7	6.0	-2.2	-0.5	6.2
1985	10.7	12.4	15.5	-1.4	0.2	2.9	-1.0	0.5	3.3
I	18.5	20.5	24.5	-5.6	-4.0	-0.6	-5.6	-4.0	-0.9
II ^f	18.8	20.8	26.4	-1.1	0.5	5.2	-3.2	-1.6	3.0
III	3.5	5.0	7.2	1.2	2.7	4.8	2.6	4.1	6.3
IV	3.1	4.5	5.5	0.2	1.6	2.5	2.5	3.9	4.9
1986	4.0	5.4	6.2	-1.4	-0.1	0.6	-0.3	1.1	1.8
I	3.1	4.5	5.2	-0.5	0.8	1.5	1.4	2.8	3.4
II	3.2	4.6	4.5	-1.8	-0.5	-0.6	-0.9	0.4	0.3
III	4.4	5.9	6.4	-2.8	-1.4	-1.0	-2.6	-1.2	-0.7
IV	5.3	6.8	8.7	-0.5	0.9	2.7	0.9	2.3	4.1
1987	7.2	8.5	10.3	-1.6	-0.4	1.2	-2.1	-0.9	0.7
I	4.8	5.9	7.4	-1.2	-0.1	1.3	-0.7	0.4	1.8
II	5.1	6.1	8.3	-2.1	-1.3	0.6	-1.4	-0.6	1.4
III	9.4	10.9	13.5	-4.8	-3.5	-1.2	-9.1	-7.8	-5.7
IV	9.6	11.1	12.1	1.9	3.3	4.2	3.3	4.7	5.6

Source: ECLAC Office in Buenos Aires, on the basis of data supplied by the Central Bank of Argentina and other sources.

^aQuarterly and annual values are geometric averages of monthly values. ^bThe deflated values correspond to real ex-post rates, calculated on the basis of the following coefficient: $(1 + r(t)) / (1 + p(t+1))$, where $r(t)$ is the nominal rate effective in the month t and $p(t+1)$, represents the rate of growth of prices in the month $t+1$. ^cUp to June 1982 and since October 1987, weighted average of the rates paid by banks for 30-day deposits; from July 1982 to October 1987, rate set by the Central Bank of Argentina for 30-day deposits. ^dUp to June 1982, average rate charged by banks to first-line clients for 30-day loans; from July 1982 to October 1987, regulated rate. Since October 1987, rate applicable to credit-line transactions of the Central Bank of Argentina. ^eUp to June 1982, average rate charged by banks to first-line clients for 30-day loans; between July 1982 and July 1983, rates charged in the free-market segment; since August 1983, rate applicable in 7-day inter-corporation transactions with BOMEI guarantee. ^fIn respect of June, only rates applicable during the second half of the month have been taken into consideration.

Table 24

ARGENTINA: NON-FINANCIAL PUBLIC SECTOR^a

	Percentages of gross domestic product				
	1983	1984	1985	1986	1987
Current resources of Central Government ^b	21.7	22.2	27.0	25.4	24.2
National administration ^c	15.6	15.8	21.9	20.4	19.6
Provincial administrations ^d	6.1	6.4	5.1	5.0	4.6
Current Central government spending ^b	26.3	25.8	25.4	23.8	24.5
National administration ^c	17.5	16.7	16.6	15.3	15.2
Provincial administration ^d	8.8	9.1	8.8	8.5	9.3
Current Central government saving ^b	-4.6	-3.6	1.6	1.6	-0.3
National administration ^c	-1.9	-0.9	5.3	5.1	4.4
Provincial administration ^d	-2.7	-2.7	-3.7	-3.5	-4.7
Current savings of public enterprises	-2.4	-1.4	-1.5	0.5	0.0
Current public sector savings	-7.0	-5.0	0.1	2.1	-0.3
Net savings interest on external debt	-2.3	-0.9	4.8	5.6	3.1
Interest on external debt	4.7	4.1	4.7	3.5	3.4
Financing for economic emergency ^e	-	-	0.6	0.6	0.2
Capital outflow from public sector (net)	8.6	7.6	6.6	7.0	7.2
Real investment of Central government ^b	4.6	3.9	3.5	4.0	4.0
Real investment of public enterprises	3.4	3.3	2.8	2.6	2.9
Other capital outflow from public sector (net)	0.6	0.4	0.3	0.4	0.3
Financing needs of public sector	15.6	12.6	5.9	4.3	7.3
Domestic financing (net)	15.4	13.0	5.0	0.3	3.1
External financing (net)	0.2	-0.4	0.9	4.0	4.2

Source: ECLAC Office in Buenos Aires, on the basis of data supplied by the Ministry of Finance.

^aData relating to the execution of the budget. Data for 1987 are taken from the final budget. ^bNational administration plus provincial administrations. ^cIncludes the National Social Security System. ^dIncludes the National Territory of Tierra del Fuego and the Municipality of Buenos Aires. ^eMandatory savings scheme.

BOLIVIA

1. Recent economic trends: Introduction and summary

Bolivian economic policy continued to focus on the fight against inflation as its priority goal. In 1987, the major advances made in this direction during the previous year were consolidated, and the level of activity rallied for the first time since 1981. However, unemployment rates continued to be very high and wage earners' remunerations, although they grew in real terms, continued to have very little purchasing power. The performance of the external sector, for its part, was negative (see table 1 and figure 1).

The variation in the consumer price index was only 11% during the year, following the 66% variation registered in the preceding 12 months, which had marked a break in the country's process of hyperinflation. As in the previous year, public finances and the authorities' exchange and monetary policies performed a vital role in achieving this result.

Indeed, the imbalance in fiscal accounts continued to decline, as the deficit of the non-financial public sector was less than 5% of the product, after having reached levels of 30% and over in preceding years. The deficit of the National Treasury, for its part, was equivalent to only 20% of total central government expenditure, which contrasted with figures of around 90% between 1982 and 1985. This austerity policy contributed to a marked slowdown in the growth rate of the money supply. Thus, M_1 expanded by around 40%, in comparison to the 80% rise recorded in 1986 and the increase of 6 000% observed in 1985. This resulted in a further slackening of the velocity of circulation, and the local currency thus recovered its lost status as a unit of account. Interest rates were again very positive in real terms, and the large difference between the rates on loans and deposits made credit very expensive.

Exchange rate trends also contributed to the success of the stabilization plan; the exchange rate rose by 12% during the year, and the quotation of the United States dollar on the parallel market was very close to the official rate. As already mentioned, the satisfactory results achieved in terms of stabilization were coupled with a recovery in the level of activity for the first time since 1981. Nevertheless, the more than 2% rise in the gross domestic product was lower than the population growth rate, making the 1987 per capita product 26% less than that of 1980.

Production expanded in most of the economic sectors. Manufacturing, construction and basic services were the most dynamic activities, with growth rates exceeding 5%, while agricultural production was stagnant.

Domestic demand climbed by more than 6%, with both investment and consumption showing significant increases. However, the coefficient of investment as a percentage of the product was only 9%, since the level of fixed capital formation was 40% lower than at the beginning of the decade.

In contrast with all the favourable trends described above, the unemployment rate remained high, fluctuating around 20%. Real minimum wages climbed by 16%, but in the previous two-year period alone they had lost two-thirds of their purchasing power.

The performance of the external sector was again unfavourable; the deficit on current account grew, and the level of incoming capital was insufficient to finance it. While exports of goods and services contracted for the seventh consecutive year with a drop of slightly less than 11%, imports rose (8%) for the third year running. Consequently, the trade balance for goods and services showed a deficit of over US\$300 million, following one of US\$175 million in 1986.

A considerable part of this imbalance was due to the fall in traditional exports (-12.5%), since non-traditional exports experienced only a slight decline. Merchandise imports grew by 10% after having increased by 29% in 1986. Thus, the coefficient of imports as a percentage of the product was 25%.

Figure 1
BOLIVIA: MAIN ECONOMIC INDICATORS

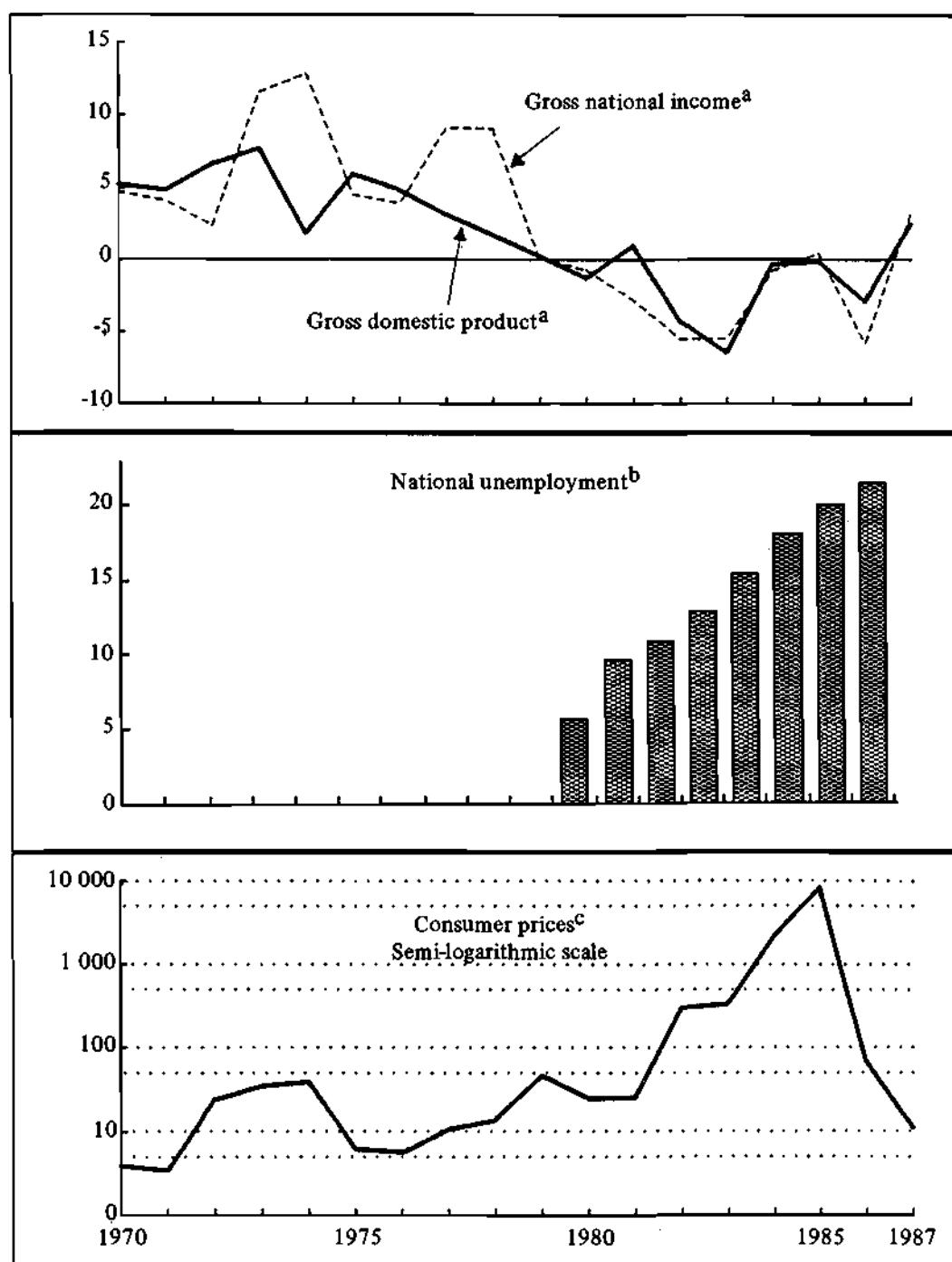
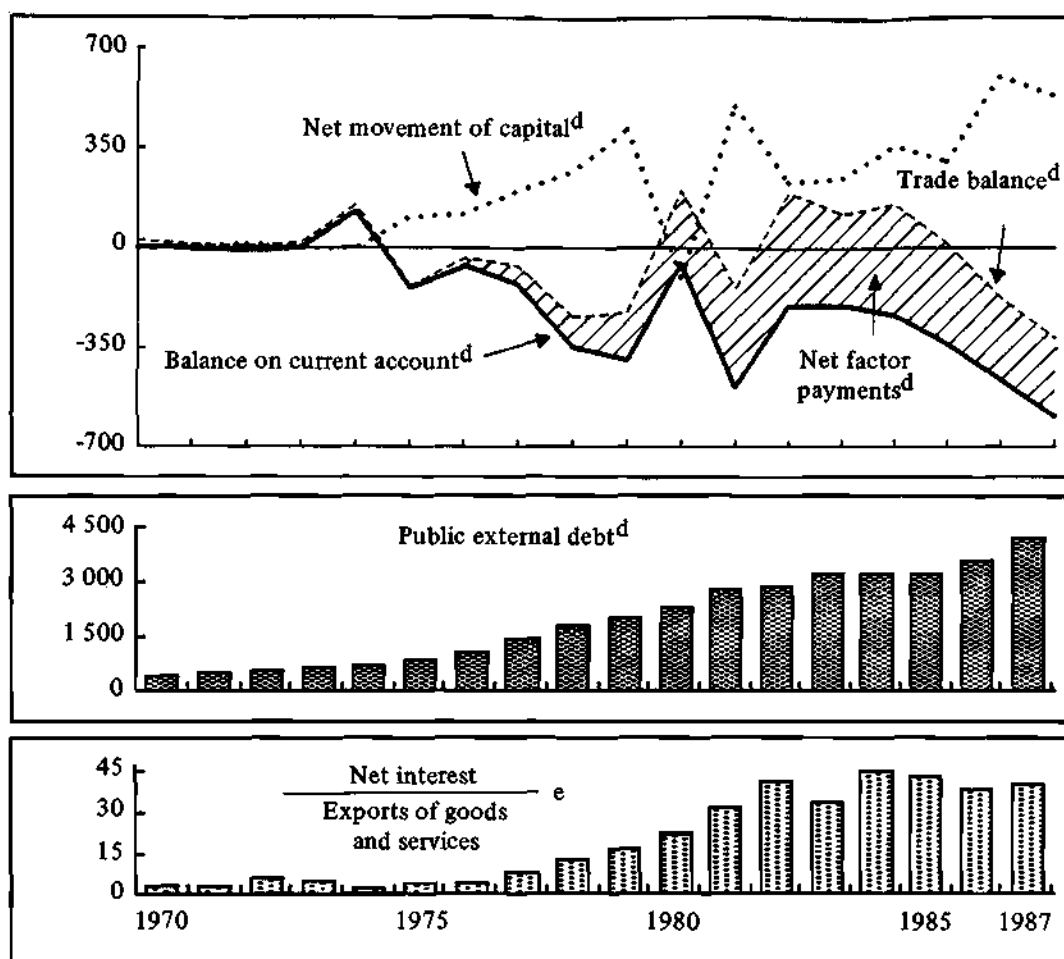


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bAnnual rate nationwide.

^cPercentage variation from December to

December.

^dMillions of dollars.

^ePercentages.

Net payments of profits and interest decreased for the second consecutive year, but they continued to equal one-half of total exports. Hence, the deficit on current account neared US\$600 million, a figure which could not be offset by the US\$530 million surplus on capital account. As a result, the country saw a decrease in its reserves of slightly more than US\$40 million, and the external assets held by the Central Bank at year's end were thus only enough to cover the cost of three months of imports.

Fresh external loans boosted the external debt to nearly US\$4.3 billion, which was equal to more than seven times the value of exports of goods and services. Debts owed to private creditors were not serviced during 1987, and only multilateral agencies received payment. In addition, the first steps were taken towards beginning the process of repurchasing external debt notes on secondary markets, which were valued at around 10% of their nominal value.

In July 1987 a reactivation plan was approved which was largely oriented towards reorganizing various aspects of the State apparatus. The principal items addressed by Supreme Decree 21660 referred to the source of the resources needed to carry out the plan, social policy, the future treatment of precious metal reserves held by the Central Bank and of the external debt, the banking and public

and private financial systems, foreign trade, the price and rate schedules of certain public services, the development of public investment programmes, and the operation of State enterprises. Two other provisions introduced reforms in the financing and structure of social security institutions and in the systems for compiling information on the operation of the various institutions in the economy's public sector.

2. Trends in economic activity

a) *Total supply and demand*

The total supply of goods and services showed a positive trend for the third consecutive year. However, despite the 4% increase recorded in 1987, supply was still 7% lower than it had been in 1980 (see table 2).

Unlike what had occurred during the previous two-year period, this rise was due to both a further increase in the volume of imports (9%) and the growth of the product. Nevertheless, the overall cumulative drop since 1981 still exceeded 14%.

Domestic demand also showed a significant rise of over 6%. Gross fixed capital investment increased by around 5%, thus putting a stop to the steady decline that had begun in 1979 which had resulted in a cumulative drop of nearly 80%. Consequently, the investment coefficient rose slightly to almost 10%, a level which was far removed from that registered at the end of the preceding decade.

Total consumption grew by nearly 6%, spurred by household spending on goods and services, which rose by more than 6%, since government expenditure expanded by less than 3%. Thus, private consumption regained almost all of the ground it had lost since 1982, while public consumption reached a level that was 16% higher than in 1980.

Finally, the adverse conditions affecting the mining and hydrocarbons sectors accounted for more than a 9% fall in exported volume. This represented a continuation of a downward trend which, by 1987, had reduced the volume of exports to less than three-fourths of the level recorded at the beginning of the decade.

b) *The main sectors*

The growth of economic activity had a favourable impact on most sectors. The production of goods, which equalled 48% of the product, grew by 2%; however, this was not sufficient to make up for the losses of previous years, which in 1986 alone had come to more than 6%. The "other services" category, accounting for nearly 45% of the product, expanded by 2%; finally, the product generated by basic services went up by 5%, thereby crowning a four-year period of increasing growth rates (see table 3).

i) *Agriculture.* In 1987 the product generated by this sector was virtually stagnant, after a fall of nearly 5% the year before. This was basically attributable to a further contraction of products for domestic consumption, inasmuch as goods for the external market expanded significantly (see table 4).

The increase in export crops was a result of export-diversification incentives which were made available with a view to reducing the constraints caused by the shortage of foreign exchange.

Rice, maize and wheat production showed decreases, which in the case of wheat amounted to nearly 20%. Nonetheless, the output of all these crops was much higher than in 1983; wheat production increased by 75% and rice output more than doubled in that period. As for industrial crops, cotton rose by 16% and coffee by 7%, while sugar cane dropped by nearly 5%. All these different trends offset one another, however, so the agricultural product stayed at a similar level to that of the preceding year; thus, the 1987 product was 13% higher than in 1980 and represented almost one-fourth of the total.

The agricultural sector received support from various multilateral agencies and from the governments of several nations in the form of concessionary credits. The Inter-American Development Bank granted US\$125 million for the execution of various projects, and another US\$35 million was provided by the Andean Development Corporation. The European Economic Community approved loans amounting to nearly US\$50 million, while the World Bank provided

US\$20 million. Lesser amounts were received from the United Nations, the United States Agency for International Development (USAID) and the governments of Switzerland, the Netherlands, Japan, the Federal Republic of Germany and Norway, among others.

ii) *Mining*. This important productive sector remained in a state of crisis. Although mining registered its first upturn since 1981, the increase—slightly over 3%—was very small in comparison with the cumulative drop of nearly 50% recorded between 1982 and 1986 (see table 3).

The difficulties experienced by this sector in the recent past were compounded by other problems in 1987, such as the deterioration of the ore content of deposits, the failure to discover new deposits, the obsolescence of the equipment used and the low international price of tin.

Tin production—until very recently one of the major products of the Bolivian economy—sank by 25%, thereby rounding off a six-year period of steadily declining output; the quantity produced thus equalled less than one-third that of 1981 (see table 5). The international price showed a slight recovery following the crisis of late 1985, when the International Tin Council had suspended its operations due to a lack of funds and the international price had collapsed as a result. Thus, the average price on the London Metal Exchange was nearly 20% higher than in 1986, but during that year it had suffered a 50% drop (see table 6).

Throughout the year the sector continued to feel the effects of the public mining rationalization plan instituted by the authorities during the preceding period. This plan had resulted in the closure of many State facilities and a jump in unemployment.

Trends with respect to the other minerals varied a great deal. Antimony and tungsten production fell by 3% and 43%, respectively, while that of copper stagnated. In contrast, output volumes of silver, zinc, lead and gold expanded significantly; this was especially the case as regards the last two, whose production volumes more than trebled as compared to the preceding year.

The situation with respect to prices improved after the generalized decline seen in 1986. The international prices of all the minerals produced in the country climbed, with the largest increases corresponding to copper (20%), gold (21%), silver (27%), lead (39%) and cadmium (78%) (see table 6).

iii) *Hydrocarbons*. Crude oil production expanded by more than 7% after several consecutive decreases, but this increase was not large enough to offset the overall cumulative drop of 32% recorded during the 1983-1986 period (see table 7). Crude oil exports continued to be of marginal importance.

Despite the government's policy of relaxing price controls, fuel prices continued to be administered by the authorities, who maintained the value of premium gasoline at around US\$0.30 per litre.

Natural gas production increased very slightly, within the overall context of the depressed trend of recent years. Exports of this fuel fell by 4% in volume after two years of stagnation, but the revenue from these sales amounted to nearly 45% of the total.

iv) *Manufacturing*. Industrial activities continued the recovery begun the year before within the framework of the process of opening the economy to the exterior; this process involved a reduction and alignment of tariffs which lowered the formerly high levels of protection.

In 1987 the branches of industry concerned with the production of tobacco, carbonated beverages and lumber exhibited particularly notable growth; in the latter case, however, the unplanned exploitation of the resource may cause ecological problems in the future.

In contrast to the above, some food industries, as well as the leather, pharmaceuticals, rubber and basic metals industries, contracted.

3. The external sector

a) *Overall trends*

The stability and moderate increase in the real effective exchange rate and the virtual disappearance of the parallel foreign exchange market were the main positive events in the external sector in 1987. During the year, a second agreement with the International Monetary Fund was reached, another round of negotiations with the Paris Club took place, and the first steps were taken towards repurchasing the debt owed to international private banking institutions, which was still not

being serviced. However, the balance of payments was unfavourable and, unlike what had occurred the year before, the country suffered a loss of foreign exchange, which reduced the external assets held by the Central Bank as of the end of the year to the equivalent of only three months of imports.

b) *Foreign trade*

i) *Exports of goods.* The value of merchandise exports declined in 1987 for the seventh consecutive year. Thus, this 14% drop was compounded by the overall cumulative decline of over 50% registered in 1981-1986. In contrast to what had occurred during the preceding year, the decrease was due to declines in both the volume of exports and their unit value (see table 8).

The 10% decrease in the volume exported constituted a continuation of the downward trend that had begun at the beginning of the decade; this decline was interrupted only in 1986 and, in total, has amounted to more than 30%. The drop in unit value (-4%), for its part, came on top of the 24% decrease recorded in the 1985-1986 period, and as a result, the corresponding index reached the lowest level registered thus far in the 1980s. The drop in exports was especially significant in the case of traditional products (-13%), which account for more than 80% of total earnings (see table 9).

Natural gas sales, corresponding to more than 40% of total exports, sank by around 25%, after a 12% drop the year before. Two of the factors contributing to this situation were the decrease in the volume sold (-4%) and the 20% reduction in the price paid by Argentina to the main buyer with which it has a sales contract until 1992. An agreement signed in 1987 between the two countries established a new system for determining the price of Bolivian gas which links its value to the international market of New York, Rotterdam and the Mediterranean, according to the degree of impurities in the gas. During the first nine months of the year, the price paid by Argentina was US\$3.05 per thousand cubic feet, compared to US\$3.70 in 1986; in the final quarter the new system for setting the price began to be applied, and the price dropped still further to US\$2.76 (see tables 9 and 10).

Other clauses of the agreement negotiated between the two countries modified the payment system; the buyer country thus undertook to pay 80% of the value of its gas purchases in cash in freely convertible foreign exchange and to deposit the remaining 20% in the account maintained by the Central Bank of Bolivia in the Central Bank of Argentina, which can only be used for servicing the debt owed to Argentina or for purchasing goods and services produced in the latter country.

In view of the fact that in the near future Argentina will cease buying gas, since it now has its own deposits, negotiations with the World Bank intensified in an effort to obtain financing for the construction of a gas pipeline between Santa Cruz and Matto Grosso (Brazil).

Metallic tin exports continued to fall off sharply. Thus, their relative share of around 20% of total sales in 1980 plummeted to 2% in 1987. This contraction was due to a downturn in the volume exported of approximately 80%, following a cumulative deterioration in 1985-1986 of 55%. In contrast, the unit value climbed during the year, after having fallen by more than 40% in 1986 (see tables 9, 10 and 11).

Tin concentrate was still one of the main exports (around 9% of total merchandise sales). After two consecutive years of decline, there was a 20% rise in its unit value, which boosted external sales by 14% in 1987, thus offsetting earlier losses.

In general, the value of the remaining traditional exports improved after having declined sharply during the two preceding years. The only exception was tungsten exports, which, due to a further slump (28%), were equivalent to one-fourth of their 1984 value.

Non-traditional exports dropped by 2%, following two years of such rapid growth that they trebled between 1984 and 1987. Lumber sales increased especially sharply, expanding fivefold in the last four years.

ii) *Imports of goods.* The value of the country's imports of goods rose by more than 10%, and have thus expanded by 50% in the past three years. This rise has been due to increases in volume, since prices fell during the three-year period in question. Contributing factors included the upturn in economic activity and the tariff reduction adopted in 1986.

Purchases of raw materials and intermediate goods, which amounted to 40% of the total, were the items that expanded the most (22%); the cumulative increase in such imports was thus over 45%

in the 1985-1987 period. While purchases of agricultural raw materials stagnated, imports of inputs for the industrial sector and construction climbed by 22% and 29%, respectively, and fuel and lubricant purchases jumped by more than 40% (see table 12).

The acquisition of capital goods (equivalent to 40% of total imports) decreased by slightly more than 2%, with declines of 7% and 15% being registered in imports of transport materials and equipment for agriculture, respectively.

Finally, imports of consumer goods escalated by 10%; purchases of durable goods remained at low levels for the second consecutive year, in contrast to the trend as regards non-durables.

iii) *The terms of trade.* The greater deterioration in the unit value of exports as compared to that of imports was reflected in a decline in the terms of trade of almost 4%, which followed a downturn of 24% in the preceding two-year period. As a result, the corresponding index dropped to its lowest level of the entire decade (see table 8).

The fall in the terms of trade and the above-mentioned decrease in the volume exported resulted in a decline, for the third year in a row, in the purchasing power of merchandise exports (-13%) which, added to that of the previous two-year period, amounted to an overall decrease of nearly 40%.

c) *The balance of payments*

The deficit on current account approached US\$600 million, which represented a loss of 28% —the largest of the decade. This was attributable to a further increase in the imbalance with respect to Bolivia's trade in goods and services, since net payments for factor services continued to fall and the level of private transfers changed very little (see table 13).

Trade in goods and real services yielded a deficit of US\$315 million, which was an increase of US\$140 million over 1986, when, after four years of surpluses, it had also shown a deficit. Merchandise trade marked up an imbalance of almost US\$190 million, while transactions of real services exhibited a deficit of another US\$130 million.

On the other hand, net payments for factor services came to US\$300 million, which, besides representing a slight downswing (3%), was the smallest amount recorded since 1981. The interest on the debt owed to private banks again went unpaid.

The capital account yielded a US\$530 million surplus, which, although it reflected a downturn of US\$70 million, exceeded the capital inflow of the rest of the decade. Inflows from foreign investments, which more than doubled, were significant, and official transfers climbed by more than 30%.

Due to the above, the reserves held by the Central Bank descended by slightly more than US\$40 million, to US\$180 million, which was equivalent to three months of imports.

d) *The external debt*

The medium- and long-term public external debt continued to be high, growing by 18% to nearly US\$4.3 billion, i.e., seven times the value of total exports (see table 14). Meanwhile, the coefficient of debt service/exports of goods and services also remained very high, with the accrued interest alone equalling nearly 42% of total exports; debts owed to private banks (around US\$1.1 billion) have not been serviced since 1984.

Some agreements aimed at easing the pressure created by the country's high level of indebtedness were reached during the year. Towards the middle of the year an Extended Fund Facility credit was received from the International Monetary Fund which amounted to slightly more than US\$170 million. An agreement was also reached with the Paris Club under which US\$450 million in debts were rescheduled, including the arrears corresponding to the period 1986-1987. The terms of this agreement provided for a repayment period of 10 years which included a five-year grace period.

In addition, the renegotiation of part (US\$230 million) of the public external debt with Brazil was begun and an agreement was reached with Argentina which allowed the reprogramming of the payments corresponding to the reconciliation of the accounts of the two countries' central banks over a term of 25 years, including a 15-year grace period, at an interest rate of 8%. The differential between the accounts of these two banking institutions, which was to Bolivia's disadvantage, came to just over US\$300 million.

As already indicated, in 1987 the service on the debt with international private banks again went unpaid; these liabilities amounted to around US\$650 million in principal and about US\$400 million in interest. Nevertheless, negotiations concerning the rescheduling of the overdue payments continued.

The first steps were also taken towards repurchasing external debt notes on secondary markets, which were being quoted at less than 10% of their nominal value. In this connection, a United States foundation acquired US\$650 000 of Bolivia's external debt in exchange for the establishment of a 3.7 million-acre nature preserve in the Amazon basin.

Furthermore, talks were held with private banking institutions with a view to reducing the debt by means of the issuance of non-interest-bearing 25-year bonds. These bonds could be exchanged for Bolivian external debt notes held by international banks and could be used as a mechanism for increasing the capital of national banks and private business, and for the purchase of public enterprises. The reactivation decree provided the authorization for implementing this mechanism.

e) *Exchange and foreign trade policy*

Generally speaking, Bolivia's exchange rate policy did not undergo any changes during the year. The procedure for the sale of government-held foreign exchange was the same as that established in late 1985 as part of a new economic policy; thus, the quotation for the dollar continued to be determined in accordance with the weighted average of public sale transactions carried out by the Central Bank on the basis of a base price set by the authorities and purchase offers made by agents requiring foreign exchange.

The exchange rate moved slowly and the parallel foreign exchange market came to play a much less important role than before. Thus, the average official exchange rate for the year was 5% higher than in 1986, while the differential between the two markets was less than 1% (see table 15).

In 1987 the decrease in average nominal exchange rate for the peso applying to exports was slightly less than the inflation rate, so the real effective exchange rate dropped slightly during the year as a whole; however, it began to rally in the first quarter (see table 15). The real effective exchange rate for imports went up substantially during the period (this index was not, however, adjusted to take the tariff reduction into account).

A number of measures relating to merchandise trade were adopted in 1987. In the first place, the across-the-board 20% tariff was maintained; in the case of capital goods imports, it was provided that the payment of the corresponding tariff could be deferred, without interest, for a period of three years with a one-year grace period.

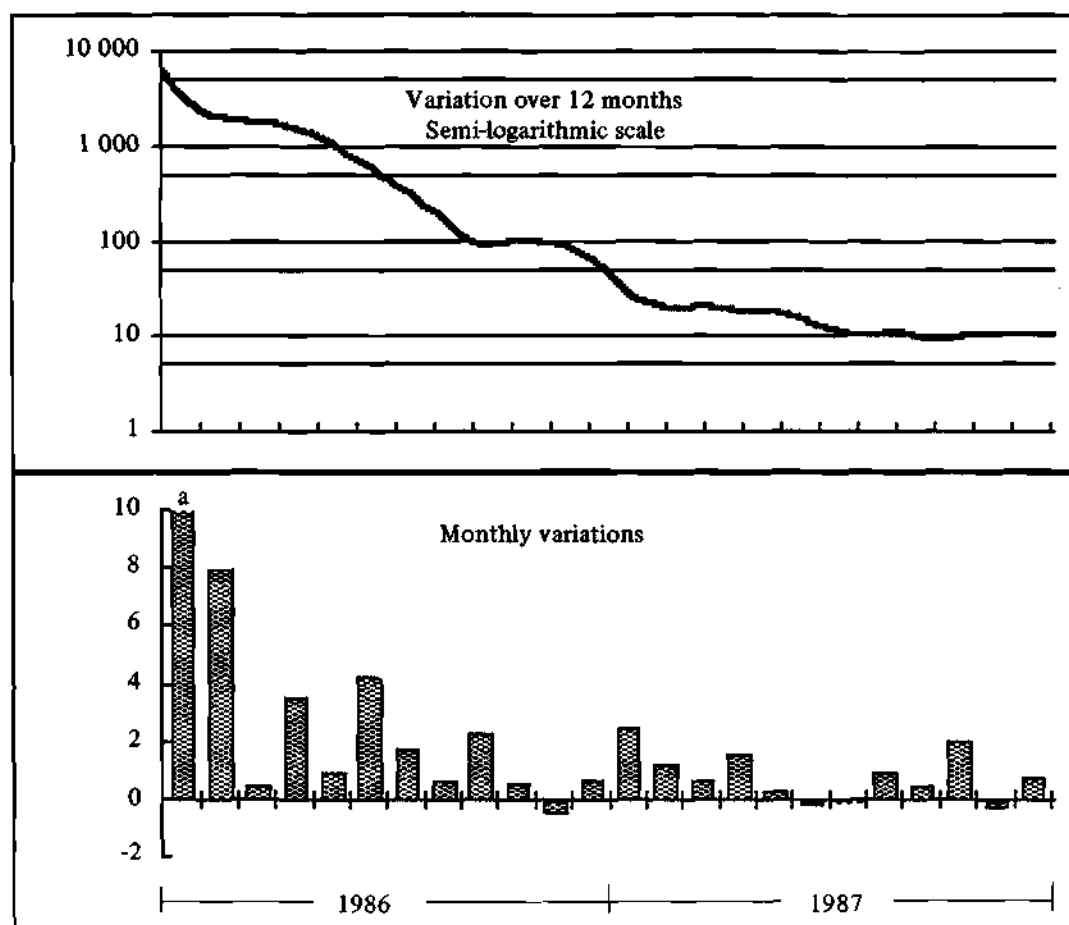
In the second place, while it was still mandatory for exporters to surrender all of their foreign exchange export earnings, export tariff drawback certificates were created with a view to promoting exports. It was also decided that, through the issuance of these new financial assets in local currency with a value-protection clause, exporters of traditional products would be reimbursed for 5% of the duty paid on their imports; for non-traditional products, the percentage was 10%. The most notable features of these certificates were that they were divisible, transferable, valid for an indefinite period and were regarded as legal tender for the payment of taxes.

At the same time, transport, electricity and fuels costs were lowered as a means of promoting exports without modifying the nominal exchange rate. Furthermore, an export promotion institute was created.

With respect to imports, the disbursements that importers had to make were simplified as much as possible. To this end, all payments not related to the import duty (20%), the value added tax (10%), certain specific excise taxes and the rate (2%) charged for customhouse storage services were eliminated.

Finally, amidst a great deal of controversy it was decided that the Central Bank would be authorized to use the gold reserves in its custody. Nevertheless, this step, which was taken as a means of dealing with the severe shortage of foreign exchange which existed at one point during the year, was never actually implemented, and these assets were not used as a guarantee for new credits.

Figure 2

BOLIVIA: CONSUMER PRICE INDEX*(Percentages)*

Source: ECLAC, on the basis of official data.

^aThe monthly variation was 33%.

4. Price, wage and employment trends

a) Prices

The most outstanding policy success in 1987, as in the preceding year as well, was the reduction of the growth rate of prices. The 12-month rate of increase in the general consumer price index slackened for the second year in a row, going from around 66% in 1986 to 11% in 1987. The variation between annual averages declined from 276% to 15% (see table 16 and figure 2).

The various components of the general index rose by different amounts. Thus, while the 12-month increase in food prices was 8% as against 63% in 1986, and the cost of housing climbed at a similar rate (9%), while one year before it had risen by more than 45%, the variations in the prices of clothing and of the category of goods included under "miscellaneous" were greater (17% and 23%, respectively), although in these cases too the rates were much slower than they had been in 1986. Wholesale prices reflected similar trends.

In general terms, the increase in prices was relatively uniform throughout the year. Thus, with the exception of the rates recorded in January, February and October — which reflected monthly rises of between 1% and 2.5% — during the rest of the year the increases never exceeded 1% and on several occasions the rates were negative.

Within the framework of the economic policy applied since 1985, the principle of the free determination of prices was reaffirmed, even though there were some exceptions, such as fuel prices and the rates charged for certain public services (electricity, railway, automobile and air transport, etc.).

b) *Wages*

The nominal minimum wage rose by 25% during the year (33% in terms of average values). The annual average was less than US\$25 (see table 17).

In real terms, the annual average increase in the minimum wage was 16%; this was the first rise after three years of steep declines which had brought minimum wages down by 70%.

c) *Unemployment*

Despite the rally in economic activity, as in earlier periods unemployment continued to be one of the country's main problems. The various estimates of unemployment that were made varied enormously, ranging between 18% and 25%.

Besides factors of an ongoing nature, other more short-term causes have also played a role in the deteriorating job market during the last two years. Ever since the authorities began to develop a new economic policy, one of its foremost goals has been to reduce the size of the public sector and to improve the competitiveness of State enterprises. As a consequence of this, large numbers of workers have lost their jobs. Moreover, the serious crisis in the country's mining sector has also contributed to the rise in unemployment, since many State enterprises and some private firms have closed their doors as a result of the enormous losses they have sustained.

All of the above has been coupled with the difficulties encountered by many industries as a consequence of the government's policy of opening up the economy and of the foreign competition they have faced.

In order to resolve these problems, the National Employment Commission and the Emergency Social Fund were created. These bodies were charged with formulating short-term labour-intensive projects for road paving, the building of irrigation canals, etc. To this end, funds were made available by the National Treasury, the Inter-American Development Bank and the governments of several friendly countries. In addition, a social security reform plan was undertaken.

5. Monetary and fiscal policy

a) *Monetary policy*

The authorities' strict control of fiscal imbalances allowed the monetary variables to begin to operate more freely once again.

After the growth rates of the monetary variables had spiralled out of control during the period of hyperinflation (1984-1985), in 1986 and 1987 their growth rate tapered off, and the local currency therefore regained the role that it had ceased to play in earlier years. Thus, issues increased by 35% in nominal terms, which in real values equalled around 22%, and the money supply as defined in a strict sense (M_1) expanded by 25% in real terms (see table 18).

The increased confidence of economic agents and highly positive real rates that were paid caused in quasi-money to expand at an even faster rate (almost 35% in real terms).

Since the net international assets in the economy fell slightly in nominal terms, there was a contraction in the means of payment generated by these assets. Thus, the expansion of the money supply was due entirely to the variation in domestic credit. The trends in the different components of the latter varied substantially: while the public sector as a whole was contractive, credit to the private sector grew by 50% in nominal values and thus expanded in real terms for the second year in a row.

For the first time in recent years, interest rates were positive in real terms (see table 19). The real yield of savings or fixed-term deposits made in local currency which were not subject to a value-protection clause fluctuated between 13% and 20%. For its part, the real cost of credit for commercial or productive activities was around 30%, which indicates that a substantial differential existed between the two.

The reform of the financial system undertaken in July modified all the reserve requirements. While the requirement corresponding to demand deposits in national currency was lowered from 40% to 20%, the requirement on fixed-term deposits, which had reached 80%, was eliminated. The other reserve rates were raised; those for savings deposits were increased from 16% to 20%, and those for other deposits and fiscal tax deposits were hiked from 0% to 100%, while the reserve rates for fixed-term deposits rose gradually from 0% to 10%. The same was true of the reserve rates required for foreign-currency deposits; the requirements on demand and savings deposits were raised from 0% to 20%, those corresponding to fixed-term deposits went up gradually from 0% to 10%, and those for other deposits were increased progressively from 0% to 100%.

The strengthening of the banking system was one of the prime goals of the financial provisions adopted in 1987.

After the Superintendency of Banks resumed its functions towards by the end of the year the Central Bank was restructured and a large cutback in personnel was carried out. In addition, banks were authorized to expand their capital, and the amount of loans they could grant was limited; in the case of regular credits, this limit was 10 times the value of their net assets, and the ceiling was just five times the equivalent of their net assets in the case of credits to be refinanced by the Central Bank; finally, the category of net assets was redefined.

Furthermore, limits were also placed on the amount of funds that banks could loan to economic groups linked to them; at the same time, the concept of "economic group" was more clearly defined and the State banking system was prohibited, with some exceptions, from granting loans to the public.

In conjunction with the ratification of the decontrol of interest rates on loans and deposits, an interest rate of LIBOR plus 5% was established for refinanced credits, as well as an unregulated rate for savings and fixed-term deposits.

b) *Fiscal policy*

As previously indicated, a significant part of the slowdown in inflation was due to the trend in fiscal variables and to the consequently much more moderate expansion in monetary variables.

For the second consecutive year, the size of the central government's deficit was curtailed in both nominal and real terms. In the 1983-1985 period, the imbalance between current income and total spending had grown by a factor of over 3.5 in terms of the local currency at constant values, and in a single year (1985) the rate of increase of the deficit exceeded 100%. In the following two-year period, this trend changed radically: after being reduced in 1986 by more than 90% in real terms, one year later the deficit again contracted by more than 50% (see tables 20 and 21).

Current income climbed by almost 7% in real values. Owing to a nominal rise of 58%, income from domestic tax revenues equalled slightly more than 25% of the total, as opposed to its 11% share in 1985. Receipts from the new value added tax were considerable, since they represented more than 65% of domestic tax revenues. Tax regularization charges accounted for another 14% of all income from domestic tax revenues.

Tax receipts from foreign trade expanded by nearly 50% in nominal terms (30% in real terms), thereby also increasing as a proportion of total inflows. Income from royalties showed spectacular increases: in the petroleum sector they went up by 60% (in nominal terms), thereby recovering from the 1986 decrease, and, for the third consecutive year, they constituted the largest source of income for the central government; in 1987, they amounted to 50% of total income. Mining royalties climbed considerably, more than offsetting the major downturns of the previous two-year period; nonetheless, they were still of little significance.

The trend in total expenditure also helped to improve the government's financial situation. Indeed, after the drastic reductions in real terms registered by all the disbursements made by the National Treasury in 1986, total expenditure in 1987 fell by 8% in nominal terms and by around 20% in real terms (see table 20). As a result, outlays in 1987 were seven times lower than in 1985.

Payments on the public debt, transfers and other expenditures (which together had amounted to more than 80% of the total in 1985) continued to drop in 1987, reducing their share to only one-third. In contrast, wage and salary payments —the largest item of disbursement during the period in question, representing almost 40% of the total— increased by 25% in terms of the local currency at constant values following the sharp declines recorded in the 1985-1986 period.

As a consequence of all the above, the main coefficients of fiscal management continued to follow a highly favourable trend. The deficit of the National Treasury plummeted for the second consecutive year and in 1987 was 6.5 times lower than in 1985. The deficit/total expenditure ratio, which in the preceding years had been around 90%, therefore dropped to a little more than 20%. Moreover, as a percentage of the product, it decreased from the runaway levels recorded in the 1983-1985 period to proportions of 5% or less in the last two years.

Furthermore, within the framework of the reactivation plan, a variety of measures were approved whose purpose was to reorganize and improve the workings of the administrative apparatus of the public sector. The Ministry of Collections and a single registry of taxpayers were created, both of which were elements of decisive importance in the implementation of the tax reform approved the year before.

In addition, with a view to improving and expediting the flow of information within the public sector, an integrated system of financial administration and governmental control was created using funds from the World Bank. In order to promote exports, the Export Promotion Institute was created, and in order to resolve some of the country's serious social problems, various special public institutions were founded, such as the National Social Policy Council, the National Housing Fund and the Social Housing Institute.

Measures were also adopted to rationalize the public purchasing system. The Mining Bank was transformed into a mixed corporation, the Housing Bank was dissolved and, as part of a financial rehabilitation process, the debts of the housing councils, the Central Housing Savings and Loan Institution, the Agricultural Bank, the Mining Bank, the National Electricity Company and the National Railroad Company were transferred to the National Treasury of the Nation.

Finally, the value added tax began to be levied at a rate of 10%; only a few goods and services (interest generated by financial activities and sales of shares and securities in general) were exempted from this tax.

Table 1

BOLIVIA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	101.0	96.6	90.3	90.0	89.9	87.3	89.4
Gross national income	97.2	91.8	86.7	86.0	86.4	81.4	84.0
Population (thousands of inhabitants)	5 720.0	5 875.0	6 034.0	6 200.0	6 371.0	6 548.0	6 730.0
Per capita gross domestic product	98.3	91.6	83.3	80.9	78.6	74.2	74.0
Growth rates							
B. Short-run economic indicators							
Gross domestic product	1.0	-4.3	-6.5	-0.3	-0.2	-2.9	2.4
Per capita gross domestic product	-1.7	-6.8	-8.9	-2.9	-2.8	-5.5	-0.3
Gross national income	-2.8	-5.5	-5.4	-0.7	0.5	-5.8	3.3
Unemployment rate	9.7	10.9	13.0	15.5	18.2	20.0	...
Consumer prices							
December to December	25.1	296.5	328.5	2 176.8	8 170.5	65.9	10.6
Variation between annual averages	32.1	123.5	275.6	1 281.3	11 749.6	276.3	14.6
Real minimum wage ^b	-8.7	-27.0	2.9	-16.4	-46.0	-30.2	16.0
Money (M ₁)	20.5	229.7	207.0	1 783.4	5 927.9	82.9	38.3
Current central government income	19.3	37.3	152.6	1 335.9	36 643.8	308.7	22.1
Total central government expenditure	12.8	423.9	172.5	2 206.4	25 251.4	-31.8	-8.0
Fiscal deficit/total central government expenditure ^c	42.1	85.2	89.1	93.2	90.1	40.9	21.6
Fiscal deficit/gross domestic product ^c	6.6	26.4	21.2	35.7	67.9	5.5	...
Current value of exports of goods and services	-2.4	-9.5	-5.7	-4.7	-12.0	-7.4	-11.2
Current value of imports of goods and services	37.7	-37.6	3.2	-10.1	6.6	18.9	8.1
Terms of trade (goods)	-9.9	2.9	1.3	11.9	-3.9	-20.1	-3.5
Terms of trade (goods and services)	-8.3	0.7	0.4	7.9	-3.8	-16.7	-1.4
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-139.0	195.0	120.0	155.0	14.0	-174.0	-316.0
Net payment of profits and interest	362.0	411.0	363.0	416.0	373.0	307.0	294.0
Balance on current account	-491.0	-202.0	-204.0	-241.0	-342.0	-466.0	-597.0
Balance on capital account	494.0	230.0	246.0	357.0	301.0	597.0	530.0
Variation in international reserves (net)	19.0	34.0	25.0	148.0	-44.0	68.0	-43.0
External debt ^d	2 824.0	2 889.0	3 263.0	3 272.0	3 287.0	3 636.0	4 279.0

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bNational average in pesos at 1970 prices. The rates for the period 1983-1987 were calculated on the basis of the consumer price index for November 1982, when the value of the minimum wage was determined; this is, therefore, the wage referred to here. ^cPercentage. ^dDisbursed balances of the medium- and long-term public external debt.

Table 2

BOLIVIA: TOTAL SUPPLY AND DEMAND

	Index (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	88.4	89.5	92.7	119.5	124.0	-1.4	0.5	1.2	3.6
Gross domestic product	89.8	87.2	89.3	100.0	100.0	-0.3	-0.2	-2.9	2.4
Imports of goods and services ^b	80.9	101.1	110.1	19.5	24.0	-7.2	3.9	25.0	8.9
Total demand	88.4	89.5	92.7	119.5	124.0	-1.4	0.5	1.2	3.6
Domestic demand	93.3	91.7	97.6	95.3	104.2	0.4	2.9	-1.7	6.4
Gross domestic investment	80.5	48.1	56.1	14.7	9.2	-10.9	33.1	-40.2	16.6
Gross fixed investment	59.8	58.0	60.7	14.2	9.7	-5.7	-9.1	-3.0	4.7
Construction	70.0	64.5	68.1	8.8	6.7	-2.3	-10.9	-7.9	5.6
Machinery and equipment	43.4	47.5	49.0	5.5	3.0	-13.8	-4.6	9.4	3.2
Changes in stocks									
Total consumption	95.6	99.6	105.2	80.7	95.0	1.9	-0.5	4.2	5.6
General government	120.4	112.7	115.9	12.9	16.8	2.3	3.4	-6.4	2.8
Private	90.8	97.1	103.1	67.7	78.2	1.8	-1.6	6.9	6.2
Exports of goods and services ^b	69.1	80.7	73.2	24.1	19.8	-8.8	-10.8	16.8	-9.3

Source: ECLAC, on the basis of figures supplied by the Central Bank of Bolivia.

^aPreliminary figures. ^bThe figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in dollars at current prices, which were then converted into constant 1980 values by means of unit value indexes calculated by ECLAC for that purpose.

Table 3

**BOLIVIA: GROSS DOMESTIC PRODUCT, BY KIND
OF ECONOMIC ACTIVITY^a**

	Index (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Gross domestic product	89.8	87.2	89.3	100.0	100.0	-0.3	-0.2	-2.9	2.4
Goods	85.4	80.0	81.7	52.4	47.9	0.5	-2.3	-6.3	2.1
Agriculture ^c	118.7	113.2	113.0	18.4	23.2	22.8	9.1	-4.6	-0.2
Mining	73.6	62.2	64.3	15.8	11.4	-12.2	-12.6	-15.5	3.4
Manufacturing	60.2	61.4	64.5	14.6	10.6	-14.0	-9.2	2.0	5.0
Construction	70.1	64.5	68.1	3.7	2.8	-2.4	-10.8	-8.0	5.6
Basic services	101.9	105.1	110.6	6.6	8.2	1.8	1.7	3.1	5.2
Electricity, gas and water	117.6	122.5	121.6	0.7	0.9	-	1.0	4.2	-0.7
Transport, storage and communications	100.2	103.2	109.4	6.0	7.3	2.1	1.8	3.0	6.0
Other services	97.0	96.2	98.2	39.9	43.8	-1.7	0.7	-0.8	2.1
Commerce	91.3	97.2	100.1	10.8	12.1	-1.2	3.9	6.5	3.0
Financial institutions, insurance, real estate and business services	87.6	86.8	88.0	14.0	13.8	-3.2	-2.2	-0.9	1.4
Ownership of dwellings	103.3	104.3	105.3	8.2	9.6	0.6	-	1.0	1.0
Community, social and personal services	109.8	104.2	106.4	15.0	17.9	-0.8	1.0	-5.1	2.1
Government services	120.9	113.2	116.4	10.5	13.7	2.1	3.2	-6.4	2.8
Less: imputed bank service charges	69.0	65.6	67.1	1.6	1.2	-10.0	-7.0	-4.9	2.3
Plus: import duties	28.2	37.9	41.1	2.7	1.2	-22.3	179.2	34.4	8.4

Source: ECLAC, on the basis of official figures supplied by the Central Bank of Bolivia.

^aThese series were calculated on the basis of official figures, which were reweighted according to the 1980 current price structure. ^bPreliminary figures. ^cIncludes livestock, forestry, and fishing.

Table 4

BOLIVIA: INDICATORS OF CROP-FARMING PRODUCTION

	Production (thousands of tons)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Main crops								
Cereals								
Rice (unhusked)	165.9	173.2	136.7	130.0	172.0	4.4	-21.1	-4.9
Maize	488.8	553.9	457.3	430.0	44.8	13.3	-17.4	-6.0
Quinoa	211.0	211.0	...	...	80.3	-	...	...
Wheat	75.2	74.3	81.2	65.7	101.6	-1.2	9.3	-19.1
Roots and tubers								
Oca	29.3	37.8	...	...	55.0	29.0	...	...
Potatoes	675.4	768.2	697.0	695.0	123.2	13.7	-9.3	-0.3
Ullucu	12.5	14.1	...	...	119.3	12.8	...	...
Industrial crops								
Cotton fibre	2.3	4.7	4.7	5.5	-28.1	104.3	-	17.0
Coffee beans	21.4	23.3	23.6	25.2	-0.9	8.9	1.3	6.8
Sugar cane	2 837.1	3 158.5	2 870.0	2 730.0	7.3	11.3	-9.1	-4.9

Source: Ministry of Peasant and Agricultural Affairs and the Central Bank of Bolivia.

^aPreliminary figures.

Table 5

BOLIVIA: INDICATORS OF MINING PRODUCTION

	Thousands of tons				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Production of some important minerals								
Antimony	9.2	8.9	10.2	9.9	-7.1	-3.3	14.6	-2.9
Copper	1.6	1.6	0.3	...	-15.8	-	-81.3	...
Tin	18.5	16.3	10.9	8.2	-21.9	-11.9	-33.1	-24.8
Silver ^b	141.8	112.4	95.1	138.7	-25.8	-20.7	-15.4	45.8
Lead	7.4	6.4	3.3	9.2	-38.8	-13.5	-48.4	178.8
Tungsten	2.3	1.6	1.4	0.8	-23.3	-30.4	-12.5	-42.9
Zinc	37.7	38.2	33.4	38.7	-19.9	1.3	-12.6	15.9
Gold ^b	1.3	0.5	0.7	2.7	-19.7	-61.5	40.0	285.7
Other minerals	3.1	4.5	...	...	-22.5	45.2	...	...

Source: National Association of Medium-Scale Miners.

^aPreliminary figures. ^bTons.

Table 6

BOLIVIA: OFFICIAL PRICES OF THE MAIN MINERALS^a

(Dollars)

	Tin	Copper	Zinc	Lead	Bismuth	Tungsten	Antimony	Silver	Gold
1980	7.61	0.97	0.36	0.41	2.41	141.62	20.67	21.05	...
1981	6.39	0.79	0.41	0.33	2.05	142.32	19.23	10.83	...
1982	5.78	0.66	0.39	0.25	1.49	105.79	17.10	7.79	...
1983	5.89	0.70	0.37	0.19	1.57	77.80	12.59	11.41	...
1984	5.54	0.63	0.46	0.20	3.57	78.37	22.21	8.16	...
1985	5.38	0.63	0.39	0.18	4.94	64.50	22.68	6.12	...
1986	2.57	0.61	0.36	0.18	2.70	44.85	18.39	5.44	363.25
1987	3.08	0.73	0.38	0.25	3.16	44.04	19.29	6.91	438.96

Source: Central Bank of Bolivia.

^aThe unit of measure for tin, copper, zinc and bismuth is pounds fine; for tungsten and antimony, the long unit fine; and in the case of gold and silver, the troy ounce fine.

Table 7

BOLIVIA: HYDROCARBON INDUSTRY INDICATORS

	Thousands of cubic metres				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Petroleum								
Production of crude petroleum	1 211.0	1 152.0	1 020.0	1 097.0	-5.9	-4.9	-11.5	7.5
Exports of crude petroleum ^b	310.0	-	270.0	50.0	-70.2			-81.5
Refining of petroleum products	1 235.0	1 284.0	1 047.0	1 131.0	-0.6	4.0	-18.5	8.0
Domestic sales of some fuels								
Gasoline	434.0	443.0	469.0	516.0	-4.2	2.1	5.9	10.0
Kerosene	104.0	91.0	53.0	49.0	-5.5	-12.5	-41.8	-7.5
Diesel oil	238.0	237.0	248.0	291.0	-3.3	-0.4	4.6	17.3
Fuel oil	116.0	86.0	51.0	29.0	-20.0	-25.9	-40.7	-43.1
Natural gas^c								
Production	4 905.0	4 647.0	4 554.0	4 567.0	-2.7	-5.3	-2.0	0.3
Exports	2 210.0	2 216.0	2 215.0	2 120.0	-0.7	0.3	-	-4.3

Source: Central Bank of Bolivia.

^aPreliminary figures.^bThousands of barrels.^cMillions of cubic metres.

Table 8

BOLIVIA: MAIN FOREIGN TRADE INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports of goods							
Value	-3.2	-9.3	-8.8	-4.1	-13.9	-12.5	-13.8
Volume	-1.0	-10.1	-6.2	-8.4	-13.7	13.9	-10.2
Unit value	-2.2	0.9	-2.7	4.7	-0.3	-23.2	-4.0
Imports of goods							
Value	44.1	-40.1	-	-16.9	12.3	28.9	10.3
Volume	33.1	-38.2	5.6	-7.7	8.2	34.6	11.6
Unit value	8.2	-3.0	-5.3	-10.0	3.7	-4.3	-1.2
Terms of trade (goods)	-9.9	2.9	1.3	11.9	-3.9	-20.1	-3.5
Indexes (1980 = 100)							
Purchasing power of exports of goods	89.3	82.6	78.4	80.4	66.7	60.7	52.6
Purchasing power of exports of goods and services	89.9	81.7	78.8	77.6	66.5	64.7	57.9
Indexes of volume							
Exports of goods	99.0	89.0	83.5	76.5	66.0	75.2	67.5
Imports of goods	133.1	82.3	86.9	80.2	86.8	116.9	130.5
Terms of trade (goods)	90.1	92.8	93.9	105.1	101.0	80.7	77.9

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

Table 9

BOLIVIA: EXPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	782.0	672.0	637.0	569.0	100.0	100.0	-4.3	-14.1	-5.2	-10.7
Main traditional exports	753.0	638.0	529.0	463.0	85.5	81.4	-1.8	-15.3	-17.1	-12.5
Metallic tin	191.0	134.0	55.0	13.0	23.1	2.3	9.1	-29.8	-59.0	-76.4
Tin concentrate	57.0	53.0	49.0	56.0	13.4	9.8	78.1	-7.0	-7.5	14.3
Silver	21.0	10.0	27.0	33.0	11.4	5.8	-63.8	-52.4	170.0	22.2
Zinc	37.0	29.0	28.0	33.0	3.6	5.8	12.1	-21.6	-3.4	17.9
Tungsten	19.0	10.0	7.0	5.0	4.5	0.9	-5.0	-47.4	-30.0	-28.6
Antimony	23.0	16.0	14.0	23.0	2.5	4.0	43.7	-30.4	-12.5	64.3
Other minerales	16.0	12.0	17.0	44.0	3.4	7.7	23.1	-25.0	41.7	158.8
Natural gas	376.0	373.0	329.0	248.0	21.3	43.6	-0.5	-0.8	-11.8	-24.6
Other hydrocarbons	13.0	2.0	4.0	8.0	3.3	1.4	-69.0	-84.6	100.0	100.0
Main non-traditional exports	29.0	34.0	108.0	106.0	14.5	18.6	-42.0	17.2	217.6	-1.9
Sugar	7.0	2.0	5.0	8.0	4.9	1.4	-41.6	-71.4	150.0	60.0
Coffee	7.0	14.0	13.0	11.0	2.0	1.9	-46.2	100.0	-7.1	-15.4
Wood	6.0	7.0	23.0	31.0	2.9	5.4	-25.0	16.7	228.6	34.8
Other	9.0	11.0	67.0	56.0	4.5	9.8	-47.1	22.2	509.1	-16.4

Source: Central Bank of Bolivia.

^a Preliminary figures.

Table 10

BOLIVIA: EXPORT VOLUMES OF MAIN PRODUCTS

	Thousands of tons				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Metallic tin	15.6	11.7	8.2	1.8	15.5	-25.0	-29.9	-78.0
Tin concentrate	4.6	4.4	8.6	8.2	84.0	-4.3	95.5	-4.7
Silver ^b	80.0	52.0	157.0	152.0	-49.4	-35.0	201.9	-3.2
Zinc	36.8	33.9	35.5	39.6	-10.9	-7.9	4.7	11.5
Tungsten	2.4	1.6	1.5	1.2	-4.0	-33.3	-6.3	-20.0
Antimony	10.8	7.7	8.4	12.4	-16.3	-28.7	9.1	47.6
Other minerals	11.1	7.3	19.2	18.1	-50.4	-34.2	163.0	-5.7
Natural gas ^c	2 210.3	2 216.1	2 214.6	2 119.9	-0.7	0.3	-0.1	-4.3

Source: Central Bank of Bolivia.

^aPreliminary figures.^bMetric tons fine.^cMillions of cubic metres.

Table 11

BOLIVIA: AVERAGE PRICE OF TIN ON THE LONDON METAL EXCHANGE

(Dollars per pound)

	Nominal price ^a	Price index (1980 = 100)		Real price (1980 dollars)	
		United States wholesale prices	Unit value of Bolivian imports of goods and services	(1/2)	(1/3)
	(1)	(2)	(3)		
1980	7.6	100.0	100.0	7.6	7.6
1981	6.4	109.1	108.6	5.9	5.9
1982	5.8	111.3	108.2	5.2	5.3
1983	5.9	112.7	105.8	5.2	5.6
1984	5.5	115.4	102.4	4.8	5.4
1985	5.4	114.9	105.1	4.7	5.1
1986	2.6	111.5	100.0	2.3	2.6
1987 ^b	3.1	114.5	99.3	2.7	3.1

Source: UNCTAD, International Monetary Fund (IMF), and ECLAC estimates on the basis of official figures.

^aAnnual average figures.^bPreliminary figures.

Table 12

BOLIVIA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	489.0	553.0	713.3	777.3	100.0	100.0	-16.3	13.1	29.0	9.0
Consumer goods	95.0	107.0	114.0	125.0	25.2	16.1	-43.9	12.6	6.5	9.6
Non-durable	42.0	37.0	43.0	52.0	15.4	6.7	-8.7	-11.9	16.2	20.9
Durable	53.0	70.0	71.0	73.0	9.8	9.4	165.0	32.1	1.4	2.8
Raw materials and intermediate goods	204.0	223.0	258.3	314.3	36.9	40.4	-27.7	9.3	15.8	21.7
For agriculture	18.0	15.0	22.0	22.0	1.6	2.8	63.6	-16.7	46.7	-
For industry	152.0	185.0	200.0	245.0	30.3	31.5	-32.1	21.7	8.1	22.5
Building materials	32.0	21.0	34.0	44.0	4.7	5.7	-25.6	-34.4	61.9	29.4
Fuels and lubricants	2.0	2.0	2.3	3.3		0.4	-50.0	-	15.0	43.5
Capital goods	185.0	202.0	331.0	323.0	35.4	41.6	-16.6	9.2	63.9	-2.4
For agriculture	14.0	22.0	45.0	38.0	2.0	4.9	100.0	57.1	104.5	-15.6
For industry	103.0	109.0	173.0	180.0	21.4	23.2	-33.9	5.8	58.7	4.0
Transport equipment	68.0	71.0	113.0	105.0	11.9	13.5	15.3	4.4	59.2	-7.1
Other^b	5.0	21.0	10.0	15.0	2.4	1.9	-52.6	320.0	-52.4	50.0

Source: Central Bank of Bolivia.

^aPreliminary figures. ^bIncludes unregistered imports.

Table 13

BOLIVIA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-53	-491	-202	-204	-241	-342	-466	-597
Trade balance	199	-139	195	120	155	14	-174	-316
Exports of goods and services	1 030	1 005	910	858	818	720	667	592
Goods FOB	942	912	828	755	724	623	546	470
Real services ^b	88	93	82	103	93	96	121	122
Transport and insurance	30	33	26	35	35	38	48	40
Travel	36	36	30	42	32	30	35	38
Imports of goods and services	831	1 145	715	738	663	706	840	908
Goods FOB	574	828	496	496	412	463	597	658
Real services ^b	257	317	219	242	251	244	244	250
Transport and insurance	147	204	123	149	136	149	164	180
Travel	55	50	40	20	30	30	27	30
Factor services	-265	-365	-414	-365	-418	-375	-311	-301
Profits	-19	-29	-23	-59	-36	-53	-40	-47
Interest received	14	15	7	39	28	16	15	18
Interest paid	-257	-347	-394	-342	-408	-337	-281	-265
Other	-3	-3	-3	-2	-2	-2	-4	-7
Unrequited private transfer payments	13	13	17	40	22	20	19	20
Balance on capital account	-105	494	230	246	357	301	597	530
Unrequited official transfer payments	47	26	29	66	67	60	82	109
Long-term capital	304	459	26	288	-147	-235	-62	...
Direct investment (net)	46	76	31	7	7	10	10	22
Portfolio investment (net)	-4	-1	-15	-2	-1	-1	-	-
Other long-term capital	261	385	10	283	-154	-244	-72	...
Official sector ^c	302	385	62	372	-111	-200	-61	...
Loans received	372	517	259	578	143	100	330	...
Amortization payments	-69	-122	-168	-202	-247	-294	-378	...
Commercial banks ^c	-23	-17	-26	-15	-12	-9	-12	...
Loans received	13	10	7	7	6	1	2	...
Amortization payments	-36	-27	-33	-22	-18	-9	-14	...
Other sectors ^c	-17	17	-26	-74	-31	-36	-	...
Loans received	85	105	66	21	11	8	-	...
Amortization payments	-102	-88	-92	-95	-42	-44	-	...
Short-term capital (net)	-44	195	141	-181	449	287	416	...
Official sector	-49	220	257	-149	345	258	306	...
Commercial banks	-20	18	14	1	4	-21	-14	...
Other sectors	25	-43	-131	-32	101	50	125	...
Errors and omissions (net)	-412	-187	34	72	-12	188	162	...
Global balance ^d	-159	3	28	42	116	-42	132	-67
Total variation in reserves								
(- sign indicates an increase)	148	-19	-34	-25	-148	44	-68	43
Monetary gold	-2	-3	-2	-1	-1	-	-	...
Special Drawing Rights	-	-	-	-	-	-	-2	...
IMF reserve position	-	-	-	-	-	-	-	...
Foreign exchange assets	72	6	-56	19	-116	57	-40	...
Other assets	18	-13	9	-47	-6	-1	-141	...
Use made of IMF credit	61	-9	15	3	-25	-12	115	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*; April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dIs equal to the total variation in reserves (of opposite sign), plus counterpart items.

Table 14

BOLIVIA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total disbursed external debt	2 904.0	3 018.0	3 641.0	3 612.0	3 842.0	4 191.0	...
Disbursed medium- and long-term public external debt ^b	2 824.0	2 889.0	3 265.0	3 272.0	3 287.0	3 636.0	4 279.0
Disbursements in each year ^c	354.0	187.0	86.0	158.0	...	330.0	237.0
Long-term non-guaranteed private debt	80.0	129.0	376.0	340.0	555.0	555.0	...
Service on medium- and long-term public debt ^c	279.0	246.0	262.0	304.0	248.0	241.0	166.0
Amortization payments	103.0	96.0	95.0	122.0	159.0	163.0	81.0
Interest payments	176.0	150.0	167.0	182.0	89.0	78.0	85.0
Annual growth rates							
Total disbursed external debt		3.9	20.6	-0.8	6.4	9.1	...
Disbursed medium- and long-term public external debt ^b		2.3	13.0	0.2	0.5	10.6	17.7
Disbursements in each year ^c		-47.2	-54.0	83.7	...	...	-28.2
Long-term non-guaranteed private debt		61.3	191.5	-9.6	63.2	...	...
Service on medium- and long-term public debt ^c		-11.8	6.5	16.0	-18.4	-2.8	-31.1
Amortization payments	-6.8	-1.0	28.4	30.3	2.5	-50.3	
Interest payments		-14.8	11.3	9.0	-51.1	-12.4	9.0
Main indicators (percentages)							
Total disbursed external debt/exports of goods and services	288.9	331.6	424.3	441.5	533.6	628.3	722.8
Disbursed medium- and long-term public external debt/exports of goods and services	280.9	317.5	380.5	400.0	456.5	545.1	722.8
Service on medium- and long-term public debt/exports of goods and services	27.7	27.0	30.5	37.1	34.4	36.1	28.0
Service on medium- and long-term public debt/annual disbursements of medium- and long-term public debt	78.8	131.5	304.6	192.4	227.5	73.0	70.0
Total net interest/export of goods and services ^d	33.0	42.5	35.3	46.5	44.6	39.8	41.7

Source: ECLAC, on the basis of figures from the Central Bank, the International Monetary Fund and the World Bank.

^aPreliminary figures. ^bIncludes IMF credits. ^cCorresponds to figures published by the Central Bank. ^dThe figures for total net interest payments were obtained from the balance of payments and therefore include the interest on the short-, medium- and long-term public and private debt.

Table 15

BOLIVIA: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (Bolivian pesos per dollar)		Indexes of real effective exchange rate ^a	
	Official	Parallel	Exports	Imports
1970-1979	0.000018		104.1	110.1
1980	0.000025		100.0	100.0
1981	0.000025		67.7	78.7
1982	0.0001 ^b	0.0002	105.2	130.6
1983	0.0002	0.0007	65.5	77.5
1984	0.002	0.008	45.5	53.6
1985	0.45	0.68	54.2	66.6
1986	1.92	1.96	90.3	113.0
1987	2.06	2.08	89.4	114.4
1985				
I	0.03	0.10	41.0	50.2
II	0.06	0.28	31.2	37.2
III	0.40	0.98	46.3	56.7
IV	1.28	1.37	98.3	122.1
1986				
I	1.95	2.04	98.4	124.1
II	1.91	1.95	89.6	111.8
III	1.91	1.93	86.9	108.4
IV	1.92	1.94	86.2	107.8
1987				
I	1.95	1.96	85.3	108.2
II	2.04	2.06	88.7	113.7
III	2.09	2.10	91.2	115.3
IV	2.15	2.18	92.4	120.4

Source: ECLAC, on the basis of figures from the Central Bank of Bolivia and the International Monetary Fund.

^aIndexes of the (official) real exchange rate for the Bolivian peso *vis-à-vis* the currencies of trading partners, weighted by the relative importance of exports to or imports from those countries, as appropriate. From 1970 to 1980, these weightings correspond to the average for 1975-1979, and from 1981 onward they correspond to the average of the period 1982-1985. Wholesale price indexes were usually used in the calculations. In the case of Bolivia, however, the consumer price index was used. For further information concerning the methodology and sources used, see the statistical appendix to the *Economic Survey of Latin America*, 1981.

^bFor the period March-October 1982, the exchange rate used is a weighted rate obtained by averaging the official rate (40%) and the free rate (60%).

Table 16

BOLIVIA: DOMESTIC PRICES

	1980	1981	1982	1983	1984	1985	1986	1987
December-to-December variation								
Consumer price index	23.9	25.1	296.5	328.5	2 176.8	8 170.5	65.9	10.6
Food	22.6	26.6	313.2	343.6	2 188.9	8 033.5	62.5	7.5
Wholesale price index	35.2	27.9	406.1	517.8	2 237.7	7 952.4	47.5	13.8 ^a
Imported products	36.4	37.2	543.0	693.0	2 312.7	5 698.3	40.4	12.6 ^a
Domestic product								
Agricultural products	36.2	14.4	274.6	601.1	1 648.1	9 017.4	57.2	20.2 ^a
Manufactures	33.8	31.1	395.8	344.7	2 521.4	10 404.9	48.8	12.1 ^a
Variation between annual averages								
Consumer price index	47.2	32.1	123.5	275.6	1 281.3	11 749.6	276.3	14.6
Food	47.6	35.2	123.9	303.7	1 315.6	11 275.6	276.7	10.3
Wholesale price index	49.3	35.5	227.9	415.9	1 695.4	10 446.9	172.8	16.4 ^b
Imported products	35.6	43.8	342.4	488.6	1 969.1	7 540.0	152.3	17.6 ^b
Domestic products								
Agricultural products	54.6	24.7	139.7	517.6	1 190.2	11 635.5	181.6	22.7 ^b
Manufactures	55.5	37.6	211.1	311.6	1 701.5	13 831.5	184.5	13.2 ^b

Source: National Statistical Institute and the Central Bank of Bolivia.

^aRefers to the period September 1986-September 1987.^bRefers to the variation between the averages for January September 1987 and the same period of the preceding year.

Table 17

BOLIVIA: MINIMUM WAGES

	Real minimum wages ^a (Bolivian pesos per month)	Real minimum wage index
1982		
November-December	8 187.0	100.0
1983		
January-February	7 469.0	91.2
March-June	8 319.0	101.6
July-September	8 030.0	98.1
October-November	9 225.0	112.7
December	10 235.0	125.0
Annual average	8 416.0	102.8
1984		
January-March	7 735.0	94.5
April-July	6 536.0	79.8
August-October	3 968.0	48.5
November-December	11 599.0	141.7
Annual average	7 038.0	86.0
1985		
January-February	3 566.0	43.6
March-April	6 097.0	74.5
May-June	5 120.0	62.5
July-October	2 140.0	26.1
November-December	3 739.0	45.7
Annual average	3 800.0	46.4
1986		
January-May	2 403.0	29.4
June-December	2 834.0	34.6
Annual average	2 654.0	32.4
1987		
January-March	2 677.0	32.7
April-December	3 213.0	39.2
Annual average	3 079.0	37.6

Source: ECLAC, on the basis of figures supplied by the National Commission on Wages (CONALSA) and the Economic Policy Analysis Unit (UDAPE).

^aThe consumer price index for the month of November 1982 (which was when the value of the minimum wage was set) was used as a basis for the conversion of nominal wages to real wages.

Table 18

BOLIVIA: MAIN MONETARY INDICATORS

	Year-end balance (millions of Bolivian pesos)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Total liquidity (M ₂)	3.9	290.3	822.1	1 216.7	1 398.5	7 343.6	183.2	48.0
Net international reserves	-	68.6	538.9	534.3			685.6	-0.9
Net credit to public sector	2.9	(205.6)	(538.4)	(555.4)	960.1		-161.8	-3.2
Central government	-	(439.6)	(508.1)	(828.2)			-15.6	-63.0
Local and regional governments	-	28.2	23.9	34.9	1 275.0		-15.2	46.0
Public enterprises	3.2	205.8	(54.1)	237.8	1 150.4	6 331.3		
Credit to private sector	2.6	409.7	947.5	1 423.0	1 266.6	15 657.7	131.3	50.2
Other determinants	(1.6)	17.6	(126.0)	(185.2)				-46.9
2. Quasi-money	0.7	91.6	458.8	714.3	658.3	13 181.2	400.7	55.7
3. Means of payment (M ₁) (1-2)	3.3	198.7	363.3	502.5	1 783.4	5 927.9	82.9	38.3
4. Monetary base	3.3	201.2	368.8	512.8	1 615.4	5 914.8	83.3	39.0
5. Issues	3.1	183.6	306.9	414.1	2 209.0	5 878.2	67.2	34.9

Source: Central Bank of Bolivia.

^aPreliminary figures.

Table 19

BOLIVIA: YEAR-END BANK INTEREST RATES

(Percentages)

	1983	1984	1985	1986	1987	1987 ^a			
						I	II	III	IV
Loans									
Business and private activities									
Nominal rate (without value-protection adjustment (SMV))	69.0	157.0	232.1	65.8	43.3 ^b	50.7	49.3	...	...
Real rate	-60.6	-88.7	-95.9	-0.1	29.6 ^c	24.8	32.6	...	...
Nominal rate (with value-protection adjustment (CMV))	...	...	17.1	21.9	22.6 ^b	22.8	23.5	...	...
Productive activities									
Nominal rate (SMV)	67.0	155.0	232.1	65.8	43.3 ^b	50.7	49.3	...	...
Real rate	-61.0	-88.8	-95.9	-0.1	29.6 ^c	24.8	32.6	...	...
Nominal rate (CMV)	...	...	17.1	21.9	22.6 ^b	22.8	23.5	...	...
Deposits									
Savings deposits									
Nominal rate	43.0	110.0	99.6	29.6	25.0	25.4	25.0	20.8	25.0
Real rate	-66.6	-90.7	-97.5	-21.9	13.0	3.9	11.1	10.7	12.9
Fixed-term deposits in local currency (SMV)									
Nominal rate	45.0	140.0	110.0	33.4	32.7	28.8	27.5	34.2	32.7
Real rate	-66.2	-89.5	-97.5	-19.6	20.0	6.7	13.3	23.0	19.9
Fixed-term deposits in local currency (SMV)									
Nominal rate	...	...	11.6	14.1	15.4	14.3	14.5	17.0	15.4

Source: ECLAC, on the basis of data supplied by the Central Bank of Bolivia.

^aRates as of the end of each quarter. Real rates were deflated by the corresponding annual variation in the consumer price index. ^bRate for the month of July. ^cDeflated by the corresponding annual variation in the consumer price index.

Table 20

BOLIVIA: MOVEMENT OF NATIONAL TREASURY FUNDS

	Millions of Bolivian pesos				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Current income	0.6	205.8	841.0	1 026.9	1 335.9	36 643.8	308.7	22.1
Inland revenue	0.2	22.1	174.2	274.7	839.1	10 152.8	686.5	57.7
Customs revenue	0.1	22.7	98.6	146.0	1 950.0	18 335.8	334.6	48.1
Mining royalties	0.1	6.0	1.5	5.4	4 050.0	7 080.7	75.6	269.1
Petroleum royalties	0.1	122.0	313.2	505.5	1 480.0	154 313.9	156.7	61.4
Other income	0.1	33.0	253.6	95.3	1 866.7	55 825.4	668.7	-62.4
Total expenditures	8.2	2 087.4	1 423.6	1 309.5	2 206.4	25 251.4	-31.8	-8.0
Personal services	1.7	144.8	360.1	516.5	2 117.9	8 269.8	148.7	43.4
Non-personal services	0.1	19.6	49.9	67.0	1 920.0	19 312.9	154.3	34.5
Materials and supplies	0.2	179.3	114.8	122.7	1 490.9	102 340.0	-35.9	6.8
Fixed and financial assets	0.1	20.0	52.1	43.4	2 100.0	18 050.9	161.0	-16.8
Public debt	0.5	452.7	145.6	144.4	218.0	82 654.8	-67.8	-0.8
Transfers and contributions	4.5	567.5	244.3	164.3	14 354.8	12 564.5	-56.9	-32.8
Other expenditures	1.1	703.6	456.8	251.2	1 881.8	64 453.4	-35.1	-45.0
Surplus/deficit	-7.7	-1 881.7	-582.6	-282.7	2 313.2	24 420.1	-69.0	-51.5
Percentages								
Main ratios								
Deficit/total expenditure	-93.2	-90.1	-40.9	-21.6				
Deficit/GDP	-35.7	-67.9	-5.5	2.5 ^b				
Current income/GDP	2.6	7.4	8.0	9.8 ^b				
Total expenditure/GDP	38.3	75.3	13.5	11.6 ^b				

Source: Central Bank of Bolivia.

^aPreliminary figures. ^bEstimates.

Table 21

BOLIVIA: MOVEMENT OF NATIONAL TREASURY FUNDS

	Thousands of Bolivian pesos of 1980				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Current income	3.7	11.3	12.3	13.1	4.0	210.1	8.6	6.6
Inland revenue	1.4	1.2	2.5	3.5	-32.0	-13.5	109.0	37.7
Customs revenue	0.8	1.2	1.4	1.9	48.4	55.6	15.5	29.3
Mining royalties	0.5	0.3	-	0.1	200.4	-39.4	-93.5	222.2
Petroleum royalties	0.5	6.7	4.6	6.5	14.4	1 203.1	-31.8	40.9
Other income	0.4	1.8	3.7	1.2	42.4	372.0	104.3	-67.2
Total expenditure	53.7	115.0	20.8	16.7	67.0	113.9	-81.9	-19.7
Personal services	11.3	8.0	5.3	6.6	60.6	-29.4	-33.9	25.2
Non-personal services	0.7	1.1	0.7	0.9	46.2	63.8	-32.4	17.4
Materials and supplies	1.1	9.9	1.7	1.6	15.2	764.5	-83.0	-6.8
Fixed and financial assets	0.7	1.1	0.8	0.6	59.3	53.2	-30.6	-27.3
Public debt	3.6	24.9	2.1	1.8	-77.0	598.4	-91.5	-13.4
Transfers and contributions	29.2	31.3	3.6	2.1	946.5	6.9	-88.6	-41.3
Other expenditures	7.1	38.7	6.7	3.2	43.5	444.8	-82.8	-52.0
Deficit	-50.1	-103.6	-8.5	-3.6	74.7	106.9	-91.8	-57.7

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

BRAZIL

1. Recent economic trends: Introduction and summary

Throughout 1987 the Brazilian economy was affected by the imbalances which were the aftermath of the Cruzado Plan, as well as by a succession of government stabilization and adjustment efforts. Inflation, which had been contained in 1986, abruptly came out into the open and reached the unprecedented level of 366% annually, in spite of successive efforts to stabilize it. The financial situation of the public sector deteriorated during the year and the operational deficit grew more than had been anticipated. The virtual disappearance of the trade surplus, which gave rise to the declaration of a temporary moratorium on external debt servicing in February, was reversed towards the middle of the year, and the period closed with a favourable balance of nearly US\$9 billion, a figure which was higher than that of the preceding year and only 18% less than in 1985 (see table 1 and figure 1). This trend in trade was largely due to an increase in the real exchange rate and to the priority placed on restricting domestic demand—an effort which involved holding down adjustments of nominal wages (with the resulting deterioration of real wages in a situation of accelerating inflation) and reducing public investment, as well as raising real interest rates and controlling private liquidity by means of a shift towards less liquid deposits and public bonds.

The increase in inflation and the efforts made to curb demand resulted in the very low growth rate of 3%—half of which was attributable to the agricultural sector—along with a fall in investment for the first time in four years.

The economy went through three very different phases in 1987. The first, corresponding to the first half of the year, was characterized by major disruptions following upon the end of the long price freeze and was marked by a sharp acceleration of inflation, a steep drop in economic activity, and a decrease in the foreign trade surplus to just short of zero. In the second phase, from July to September, the authorities implemented a new stabilization plan that provided for temporary controls of prices and wages which caused inflation to slow down. Trade balances made a recovery, but the economic recession remained latent. In the third phase (during the last quarter) as a result of the ending of the freeze, inflation started up again and activity noticeably decreased, but the external sector performed very well and produced an extraordinary trade surplus. The anti-inflation policy was re-directed away from the use of price administration mechanisms and towards the containment of domestic demand and the reduction of fiscal imbalances, but up to the end of the year few results had been achieved.

The configuration of the critical phase being experienced by the Brazilian economy, with a combination of accelerating inflation and recessionary elements, was the aftermath of the failure of the Cruzado Plan within the framework of the large external debt which has conditioned the growth of the country since 1983. The Cruzado Plan was launched at the end of February 1986, but had to be abandoned early in 1987 in the face of an upsurge in inflation, steep decreases in the trade balance and international reserves, and the distortion of relative prices which led to supply shortages and to the existence of black markets.

By means of the Cruzado Plan, the government tried to stabilize prices without provoking a recession and to minimize the social costs involved. In the beginning, the results were spectacular, and the Plan thus gained widespread public support. Soon, however, it became evident that the economy was "overheating", since price controls were accompanied by a stimulus to demand, and the Plan therefore managed to do no more than to repress inflation. By the middle of 1986 it was already clear that the main problem was the excess of aggregate demand and not simply sectoral constraints. When the government finally decided to take action on this front, it only made selected—and therefore considerable—increases in indirect taxes and in the prices and rates charged for goods and services provided by public enterprises. These measures caused demand to shift towards goods and services not affected by these measures and helped to heighten inflationary expectations. Moreover,

Figure 1
BRAZIL: MAIN ECONOMIC INDICATORS

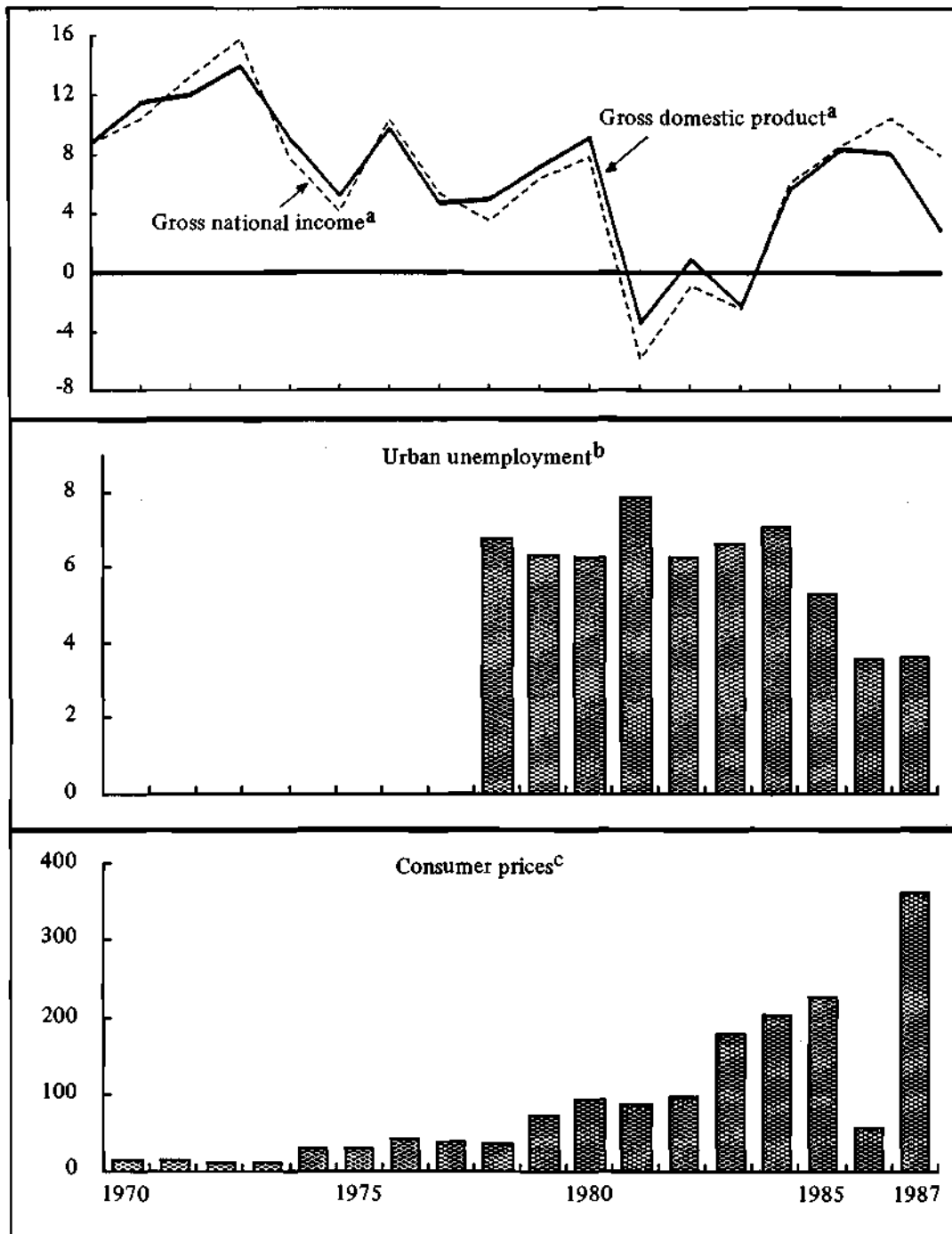
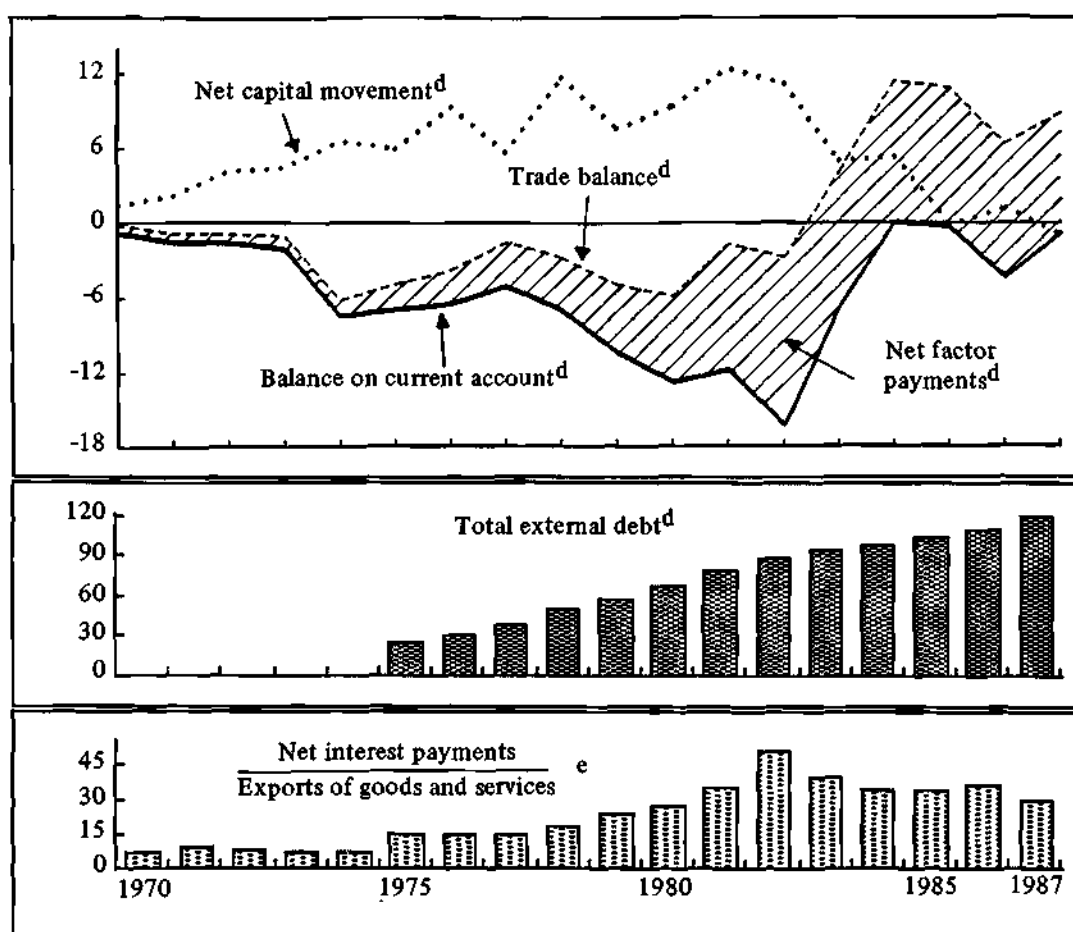


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate. ^bAverage annual rate in the metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. ^cPercentage variation from December to December. Up to 1979, this graph corresponds to the consumer price index for Rio de Janeiro; as from 1980, it refers to the consumer price index for the whole country. ^dBillions of dollars. ^ePercentages.

the overexpansion of aggregate demand sharply increased the need for foreign exchange, since, on the one hand, some of the goods which were usually intended for export were diverted to the domestic market and, on the other hand, imports increased substantially because of the greater need for inputs for industry, which was expanding very rapidly. All this led to a drastic reduction in the trade surplus and to enormous losses of international reserves.

To meet this critical situation, at the beginning of the year the government decontrolled prices in an effort to drastically restructure relative prices, which had become totally distorted in 1986. In the beginning it made use of mechanisms for controlling domestic demand such as freeing prices, making real adjustments in public rates and charges, and maintaining positive real interest rates. In February, in response to a steep decline in international reserves, the government decreed a temporary moratorium on servicing the external debt, thereby considerably altering the country's relationships with the international financial community. Moreover, exports were stimulated by an additional 7.5% devaluation of the cruzado in May and by an expansion of foreign-currency deposits in the Central Bank for exporters. In addition, the policy of automatically readjusting wages whenever the cumulative increase in inflation reached 20% remained in force. As monthly price increases were swiftly approaching this limit, wage adjustments were made on an almost monthly basis, thus

continually fueling the rapid inflationary process. Hence, in the first half of the year, monthly rates of price increases were higher than 20%.

This situation was made even more serious by the uncontrolled way in which prices were unfrozen and by the ever-present expectation that new measures for freezing prices and wages would be adopted. Fearing a repetition of the negative experience of 1986, entrepreneurs tended to raise their prices more than the need to keep pace with inflation would dictate as a means of protecting themselves against possible losses stemming from future price controls. Furthermore, accelerating inflation intensified the government's loss of real income, since its outlays and those of public enterprises rose in step with prices and indeed, given the wage adjustments being granted by the sector, even surpassed inflation. Therefore, the public deficit grew even more rapidly and thus contributed to the accentuation of the most pessimistic expectations.

In June, faced with the prospect of hyperinflation, the government again drastically altered its economic policy. In order to control inflation and ensure a better form of macroeconomic management, it adopted a new stabilization plan, known as the Macroeconomic Control Plan, which combined a price freeze—a heterodox aspect of the Cruzado Plan—with adjustments in relative prices and controls on aggregate demand. The wage freeze was extended for a period of 90 days, thereby eliminating the automatic adjustment mechanism established by the Cruzado Plan; real interest rates were raised; the real prices and rates of public enterprises were increased; the currency was devalued by an additional 10.5% and daily adjustments in the exchange rate were introduced; public expenditure was reduced, especially on investment; and, lastly, a scale was established for future price and wage adjustments based on the monthly variation of the Price Reference Unit (URP), which was calculated from the average cumulative rate of inflation in the preceding quarter.

The new Plan had some success in the first few months, inasmuch as it caused a drop in inflation, whose indexes were 3% in July and 6% in August. Nevertheless, its effectiveness did not last and it had limited results. From October on, inflation returned to its former high levels reaching 14% in December in response to the expectations of new freezes and pressured by real increases in public rates. Furthermore, the adjustment scale established by the Plan was not fully complied with in respect of either prices or wages. In fact, in order to restore the real value of public rates and charges, increases higher than those of the URP were granted. In addition, although the freeze was aimed at consolidating real decreases in wages of up to 20% with respect December 1986, inasmuch as the payment of adjustments lagged behind price increases, the most organized trade unions, especially those of public enterprises, won an immediate reimbursement for the lag experienced during the first half of the year, plus the monthly adjustments based on the URP.

Neither did the Plan work as predicted in decreasing the public deficit. On the contrary, the deficit was extremely high, as a result of a real drop in tax revenue and real increases in personnel expenditures and in the servicing of the domestic public debt. This added to the sector's financing requirements, and the economic authorities therefore placed a significant net amount of Federal and State bonds on the market and were obliged to resort to an excessive expansion of paper money issues because of the impossibility of obtaining additional external resources.

Given the above-mentioned departures from the adjustment scale and the difficulty of controlling public expenditure, the Plan started to lose credibility, inflationary expectations began to increase and further changes in economic policy management came to be considered imminent. By the end of the year, the effectiveness of the Macroeconomic Control Plan had been exhausted. Moreover, at about the same time the confrontational strategies relating to the external debt had also reached their conclusion. With the replacement of the government's economic team, towards the end of 1987 the stage was set for the application of a different scheme for directing the economy—the fourth in less than two years—in the midst of worsening political conflict and growing fears of a severe economic slump.

To all these difficulties must be added the uncertainty about the economic policy prevailing in the business sector as a result of the significant changes introduced during the year and the fear that the new Constitution being prepared by the National Constituent Assembly would substantially alter the way in which private property was regulated and the treatment accorded to foreign capital. In addition, serious labour conflicts had paralysed essential activities to an extent never previously seen in the country.

Domestic demand waned notably as a result of the drop in real wages and the decrease in investment, which affected both production and employment. Real wages registered a loss which, in manufacturing, ranged between 6% in São Paulo and 23% in Rio de Janeiro. This severe drop in income was due to the sharp acceleration of inflation and to the replacement of the adjustment mechanism established by the Cruzado Plan—which had been triggered automatically by a 20% price variation—by a more restrictive mechanism. The decrease in domestic purchasing power was reflected in the performance of industry and trade. Nevertheless, this negative effect may have been attenuated by the demand generated by efforts to build up inventories, which had diminished substantially during the previous year. Investment dropped by more than 3% as a result of uncertainty about the future direction of economic policy and the slowdown observed in the main sectors, thus holding back the recovery that had begun in 1984.

In 1987 the growth rate of the manufacturing sector went down from the 11% level registered in 1986 to 1%, with decreases being recorded in the production of both capital goods (2%) and consumer durables (5%). Commerce and other services increased considerably less than in previous years. Retail commerce in the main metropolitan areas was perhaps the activity most affected by the crisis, inasmuch as it suffered a real reduction in sales of 19% with respect to the preceding year. Construction went down by almost 4% as a result of financing difficulties and the paralysation of public works.

Agriculture, on the other hand, showed the only significant expansion of activity, with a 14% increase as a consequence of the recovery made by the sector's most important products, such as coffee, soya, sugar cane, maize, potatoes and oranges, whose production had diminished appreciably the year before due to poor weather conditions. However, as a result of the excellent harvest and the slump in the domestic market, agricultural prices dropped sharply in real terms. This created serious problems for producers due to the decrease in their income and the decontrol of industrial prices; in addition, this made it very difficult for them to fulfil the adjustable financial obligations they had undertaken during the period when prices had been frozen.

As a result of the notable fall in exports and the significant expansion of imports caused by the increase in demand prompted by the Cruzado Plan, the trade balance was negative between October 1986 and January 1987, whereas a few months earlier it had showed a monthly surplus of somewhat more than US\$1 billion. International reserves fell to less than US\$3 billion in February, whereas at the beginning of 1986 they had reached more than US\$10 billion. Later, export performance clearly improved, and by the end of the year exports were 16% greater than in 1986. Since imports grew less (7%), a goods and services trade surplus of almost US\$9 billion (40% greater than in 1986) was achieved. In the second half of the year the trade surplus returned to levels above US\$1 billion per month and even exceeded the surpluses registered during the first half of 1986. External sales of manufactured goods recovered from their drastic drops of 1985 and 1986, thus resuming the expansionary trend which had begun in the early years of the 1970s. This trend in exports, especially of manufactured goods, was one of the few positive features of the economy's performance in 1987. It should also be pointed out that these exports included a steadily increasing proportion of goods produced by high-technology industries.

In spite of the very favourable trend in exports, the country did not manage to resume the fulfilment of its financial commitments with international banks. The moratorium remained in effect for the entire year, making it difficult for it to acquire new external credits. However, thanks to the suspension of the interest payments owed to the international commercial banking system, its net external transfers of resources were reduced to US\$6.8 billion, which was 30% less than the year before.¹ In November, an agreement was reached with creditors to refinance US\$3 billion of the US\$4.5 billion of overdue interest, but these funds were not received until the end of the year.

¹The net external transfer of resources is equal to the factor services actually paid—excluding, therefore, interest pending payment because of the moratorium—less net capital inflow.

2. Trends in economic activity

a) *Total supply and demand*

The trend of total supply and its components was unfavourable as a result of the recession which had affected the country since the beginning of the year. Total supply grew by almost 3%, which was somewhat less than the growth of the gross domestic product, while imports of goods and services fell by around 1%. Imports were seriously affected by the decrease in domestic demand and especially by the drop in the purchase of inputs for the manufacturing sector (see table 2).

The most notable feature of total demand was the expansion of more than 10% in exports of goods and services, which were stimulated by the excellent crop harvests and by the dynamic action of exporters, who sought out external markets in order to compensate for the growing difficulties they were encountering in the domestic market.

Gross fixed investment decreased by more than 3%, in contrast with the high rates of 1985 and 1986 (12% and 19%, respectively). This unfavourable trend was due, on the one hand, to the drastic reductions in investment expenditure that the public sector had to make in order to lessen the fiscal deficit and, on the other hand, to the behaviour of the private sector, which reduced its investment expenditure because of the uncertainty that had prevailed in the country since mid-1986.

Total consumption (including variations in stocks) increased by almost 3%, which was considerably less than in 1986, when it had grown by more than 10%. If variations in stocks are not taken into account, then the trend in consumption, and particularly in private consumption, was even more unfavourable, due to the severe drop in the income of most of the population. It is probable that variations in stocks increased strongly as a result of the replacement of inventories which had diminished during 1986 because of the excessively high level of aggregate demand.

b) *The main production sectors*

The slow growth of the economy in 1987 (almost on a par with demographic growth) was sustained by the excellent performance of the crop-farming sector, which had an exceptionally good harvest. The manufacturing sector, however, remained stagnant, and mining and construction showed negative growth rates (see table 3). The production of basic services showed little variation in relation to 1986, while commerce and financial services followed the unfavourable trend of the rest of the economy, registering a marked decrease in their growth rates.

i) *The agricultural sector.* Agricultural activity grew at the extraordinary rate of 14%, which was the highest ever recorded except for the rates of 19% and 20% registered in 1928 and 1965, respectively. Crop-farming increased by 17%, largely as the result of the upturns in the production of coffee (30%), soya (26%), maize (30%) and potatoes (28%). Total grain production amounted to 63 million tons, compared with 53 million tons in 1986. There was also a substantial improvement in the yield per hectare of soya and wheat plantings (see table 4).

The livestock subsector's performance was also very favourable, recording a growth rate of 10%. Beef production partly recovered from its steep drop of the preceding year, when producers kept their cattle in the fields as a response to unprofitable prices. Milk production also recovered in response to the policy of realistic prices applied from April onward, and reached 1985 levels, which were, however, lower than those of 1983 and 1984. Significant improvements were also seen in pork production (20%) and poultry output (11%).

Nevertheless, in spite of the spectacular increase in production, the sector faced a serious crisis as a consequence of the drop in farm prices in real terms, since the combination of the unprecedented harvest with an inflow of food imports that had been authorized in 1986 led to an excessive domestic supply which had a negative effect on producer prices. Indeed, prices fell so steeply that a large number of small farmers went bankrupt and had to sell their land in order to meet their readjusted debt and interest payments.

ii) *Mining.* In 1987 mining production suffered a slight setback. Petroleum extraction was marked by opposing trends, in that proven reserves increased by nearly 10%, but production declined. The special characteristics of Brazilian oil fields are such that the growth of production depends not only on technological factors or the existence of reserves, but also on the economic viability of oil extraction as compared with other priorities as regards the allocation of available

resources. The lower level of production in 1987 was due to the scarcity of financial resources in the sector, both for new investments and for buying imported equipment, as well as to labour strikes and difficulties in exploiting the two largest off-shore production wells —Albacora and Maringá, in "Bacia de Campos"— which provide 60% of the country's total output (see table 5).

This downturn was partly offset by an increase in iron-ore production (4%) which made Brazil the world's largest iron-ore exporter. At the same time, however, exports faced a drop of more than 5% in the international market price.

iii) *Manufacturing*. In 1987 manufacturing grew by only 1%, whereas in the three previous years it had grown at an average annual rate of more than 8%. Thus, the vigorous recovery which the sector had been making from the serious crisis of 1981-1983 was interrupted. The recovery had allowed the sector to surpass its 1980 (i.e., pre-crisis) level and to resume the growth trend begun in the 1950s.

The slump in growth seen in 1987 actually began in the last months of 1986 with the failure of the Cruzado Plan and became more severe as the year progressed due, in particular, to the drop in investment and the deterioration of income in wage-earning sectors. Nevertheless, the effect of the resulting reduction in domestic demand was eased during the first few months of the year by the replacement of stocks and by the return to normality which occurred after the end of the price freeze. Later, the spectacular upturn in exports compensated for a significant part of the decrease in domestic demand, thereby preventing a drastic contraction in manufacturing which would have thrown the country into a crisis of incredible magnitude. The excellent performance of the export sector demonstrated its maturity and its great flexibility for redirecting sales in response to changes in competition.

Almost all branches of industry were affected by the slowdown in activity. The only industries which showed significant rates of growth were some of the branches producing non-durable consumer goods (perfumery, soap and candles, and foodstuffs). The greatest contraction was in capital goods and in consumer durables (see table 6).

The food industry showed the best performance in the manufacturing sector, with its growth being based mainly on an increased processing of the harvest. Given the rapid expansion seen in the sugar and alcohol subsector, the industries of the northeastern part of the country played a preponderant role in this result.

The performance of the consumer durables industries was noticeably affected by the drop in the wage bill, the increase in interest rates, and the considerable rise in the prices of many of their products. Motor vehicle production decreased by 13%, in spite of this industry's notable export performance. As a result, the proportion of total motor vehicle production represented by exports doubled, reaching more than 37% in 1987 (see table 7).

The growth rate of industries manufacturing custom-made capital goods, which supply equipment to the electricity, iron and steel, and petrochemical sectors, decreased sharply (-8%) as these industries worked, on average, at little more than 60% of their capacity.

c) *Employment and unemployment*

Formal urban employment increased by 2.6% in 1987, which was slightly less than half of the 1986 growth rate and was practically equal to the annual increase in the economically active population (see table 8). Nevertheless, this increase in employment was greater than that seen in the level of activity of urban sectors, probably because the most affected sectors were more capital-intensive. Similarly, the construction sector, which is highly labour-intensive and which suffered a steep drop in production, did not show a reduction in employment; this was no doubt due to the fact that the activities within this sector which contracted the most were also the most capital-intensive ones, as is the case of large public-sector infrastructure works.

Starting in the second quarter of 1987, the unemployment rate began to go up, reaching levels of over 4%.² The most severely affected group was that of new workers just entering the job market (see table 9).

²This rate is very low in comparison to the rates in developed countries. This may be due to the low level of household income and the lack of a system of unemployment insurance, since people who stop work have to either find some source of income in the informal sector or return, in the case of rural immigrants, to their places of origin.

3. The external sector

In early 1987 the external sector faced serious difficulties derived from the distortions caused by the Cruzado Plan. The 1986 balance of payments had reflected a severe deterioration in the country's situation as a result of the 42% drop in the trade surplus and the reduction of international reserves by one-third, all of which generated strong pressures in terms of the country's capacity to meet its financial obligations. Since the cash component of international reserves had declined by around US\$3 billion (less than enough to finance three months of imports), a moratorium on the payment of interest on the external debt owed to private creditors was declared in February, and it was until November that a provisional agreement was signed concerning the reinitiation of such payments. This moratorium permitted the maintenance of minimum reserve levels and a normal flow of external trade, but prompted a drastic decrease in the inflow of voluntary long-term external resources. Thanks to the moratorium, however, the net transfer of resources to the exterior was reduced from US\$9.6 billion in 1986 to US\$6.6 billion in 1987.

The rapid acceleration of inflation in the first half of 1987, in combination with the maintenance of a virtually fixed exchange rate during 1986, entailed a gradual increase in the real value of the cruzado. In order to stimulate exports, which had dropped sharply, the government devalued the currency by almost 8% in May and by nearly 11% in June, over and above the periodic adjustments made to compensate for domestic inflation. This last increase was made under the Macroeconomic Control Plan when the government also introduced daily adjustments to the exchange rate in line with increases in domestic prices. This resulted in a real devaluation of the currency of around 3% by the end of the year (see table 10).

a) *Merchandise trade*

i) *Exports.* The adjustment effort made in respect of Brazil's foreign trade was focused on raising exports and controlling imports (see table 11). Viewed from this perspective, the slowdown in the growth of domestic demand provided an opportunity for increasing exports, especially of manufactured products, which represented more than two-thirds of external sales in 1987 (see table 12). In the first half of the year the value of exports was still 23% below that of 1986. However, as a result of the excellent harvests in the agricultural sector and the greater utilization of industrial production capacity for export, exports grew by almost 55% in the second half of the year as compared with the same period of 1986.

This recovery was partly due to an increase in the volume of agricultural exports, particularly of soybeans (152%) and of coffee beans (66%), with the volume of the latter almost compensating for the drop in its price. Among manufactures, there was a significant increase (77%) in the value of transport equipment exports. Due to the low level of domestic demand and to special export programmes, the Brazilian motor vehicle industry was mainly oriented towards the external market, which absorbed 37% of its 1987 output, in contrast to the 20% average of the previous five-year period (see table 7). There was also a substantial expansion in other manufactured products, especially in the goods produced by the metals and metal manufactures industry.

The excellent performance of manufactured goods exports made it possible not only to recover from the losses caused by the sharp drops observed in 1985 and 1986, but also to outstrip the levels reached in previous years and even to surpass the previous all-time high of 1984 by a slight amount. In 1984 external sales of manufactures were very high because of the high prices of orange juice and of iron and steel products. Hence, it is very likely that Brazil has re-embarked on the spectacular growth trend in manufacture exports which began more than 15 years ago and in which an increasingly important role has been played by goods produced by modern high-technology industries.

ii) *Imports.* The physical volume of imports dropped by almost 2%, in contrast to the large increase (almost 16%) seen in 1986. The value of imports, on the other hand, rose by more than 7% due to the higher prices brought by imported products, especially petroleum, whose price climbed by 35%. The decrease in physical volume was attributable to the lower level of domestic demand and the greater availability of agricultural goods, which eliminated the need to import as many of such products as in 1986 (see table 13).

iii) *Terms of trade.* Primarily as a result of the increase in the price of petroleum, the terms of trade deteriorated by almost 5%, nonetheless, their level was still one of the highest of the 1980s thanks to the substantial increase of 15% registered the year before.

The purchasing power of exports recovered from its 1986 decline, thereby practically returning to its 1984 level. This variable thus reached a figure 35% above that of 1980.

b) *The trade balance and factor payments*

As exports of goods and services rose by almost 16% while imports grew by somewhat more than 7%, the trade surplus amounted to nearly US\$9 billion. Although this balance was substantially greater than the 1986 balance, it was still lower than those of 1984 and 1985, when it had reached around US\$11 billion annually. The monthly balances recorded near the end of the year were around US\$1.1 billion, while those of the first four months were only US\$250 million. Net factor payments fell by 10% as a result of the reduction in interest rates on international financial markets.

c) *The balance on current account and its financing*

Had it not been for the overdue interest payments resulting from the moratorium which were not refinanced until the end of the year, there would have been a surplus of almost US\$3 billion on the balance-of-payments current account. This represented a substantial change with respect to the preceding year, when there was a deficit of US\$4.4 billion.

The balance-of-payments capital account showed an outflow of nearly US\$1 billion, as private banks did not grant new loans and government and international agencies drastically reduced their net disbursements. In 1987 the net amount provided by international agencies was US\$300 million, i.e., almost 80% less than that received in 1986. On the other hand, a favourable factor in 1987 was the growth in direct foreign investment, which accounted for a net inflow of almost US\$500 million; this was nearly 50% more than the sum registered in 1986, although such investment remained below the levels reached in the preceding decade (see table 14).

As a result, the 1987 balance of payments showed a surplus of US\$1.9 billion if only the interest actually paid is taken into account; this prompted a recovery of net international reserves from their sharp decrease of 1986 (see table 15). If, once again, only the interest payments actually made are considered, then the net transfer of resources to the exterior was almost US\$6.8 billion, which was a more favourable result than those of 1985 and 1986. Nevertheless, in spite of the moratorium, the country continued to transfer a large volume of resources abroad, as has been the case since 1982, when the international economic crisis began.

d) *The external debt*

The total external debt rose by 9% to more than US\$120 billion by the end of the year. This increase was not the result of greater direct borrowing but rather of the drop of the United States dollar against the other international currencies and of the non-payment of the interest which accrued in 1987 because of the moratorium (see table 16). In addition, since the value of exports of goods and services climbed by almost 16%, both the debt/exports ratio and the debt service coefficient fell markedly, in contrast to the large increases registered in 1986 (see table 17).

Although Brazil's external debt negotiations continued throughout the year, no definite agreements were reached, as Brazil's proposals were not accepted in any of the three spheres of its negotiations: private creditors, governmental agencies (Paris Club) and international agencies (particularly the International Monetary Fund).

In January the Paris Club agreed to reprogramme the debt accumulated by Brazil between 1985 and 1986. This debt —US\$4.2 billion— was renegotiated over a six year term with a three-year grace period. It was also agreed that the payment of the overdue interest —US\$350 million— would be made in installments at six-month intervals starting in June 1988. The two main points of this negotiation were the acceptance by the creditors of the absence of an economic programme approved by the IMF and the opening of new official credits in the second half of 1987. The moratorium in respect of private banks hindered the receipt of these resources, however.

The Brazilian moratorium did not lead to any direct reprisals against the country; instead, the reaction of the international creditor banks was mainly one of improving their respective equity

positions. Accordingly, many of these institutions began to increase their capital reserves, which resulted in significant decreases in their profits in 1987. This procedure of revising the quality of the credits granted to developing countries led to the provisional agreement for the payment of overdue interest reached at the end of October. In the event that Brazil did not make payments on the loans granted by private United States banks for two quarters, the United States banking authorities would be obliged to declare the value of the loans to be impaired, which would mean that it would have to be deducted from the capital reserves of the banks. In order to avoid this measure, the creditors decided to accept the refinancing of US\$3 billion of the US\$4.5 billion in arrears. Nevertheless, since it was necessary for all the creditors to give their consent, these resources were not received until the end of the year.

The Brazilian authorities attempted to establish new relationships and mechanisms with the international agencies, especially with the IMF. At the beginning of the year, the Brazilian government agreed to strengthen its contacts with the IMF and to permit a regular analysis of the economy as provided for by IMF regulations. In the second half of the year, the Minister of Finance proposed the creation of new mechanisms for renegotiating the external debt based on the sale of Brazilian securities on the international market according to the market value of the loans granted to Brazil. The World Bank could have played an important role in these negotiations, but official and private creditors rejected the proposal, even though a similar step was taken in Mexico towards the end of the year.

The moratorium increased the federal government's responsibility in respect of the external debt, in that its external obligations climbed by 35% in 1987 to US\$52 billion, i.e., double the amount registered in 1984. Part of this increase was also due to the transfer of debts of State enterprises to the National Treasury (see table 18).

4. Prices and wages

a) *Prices*

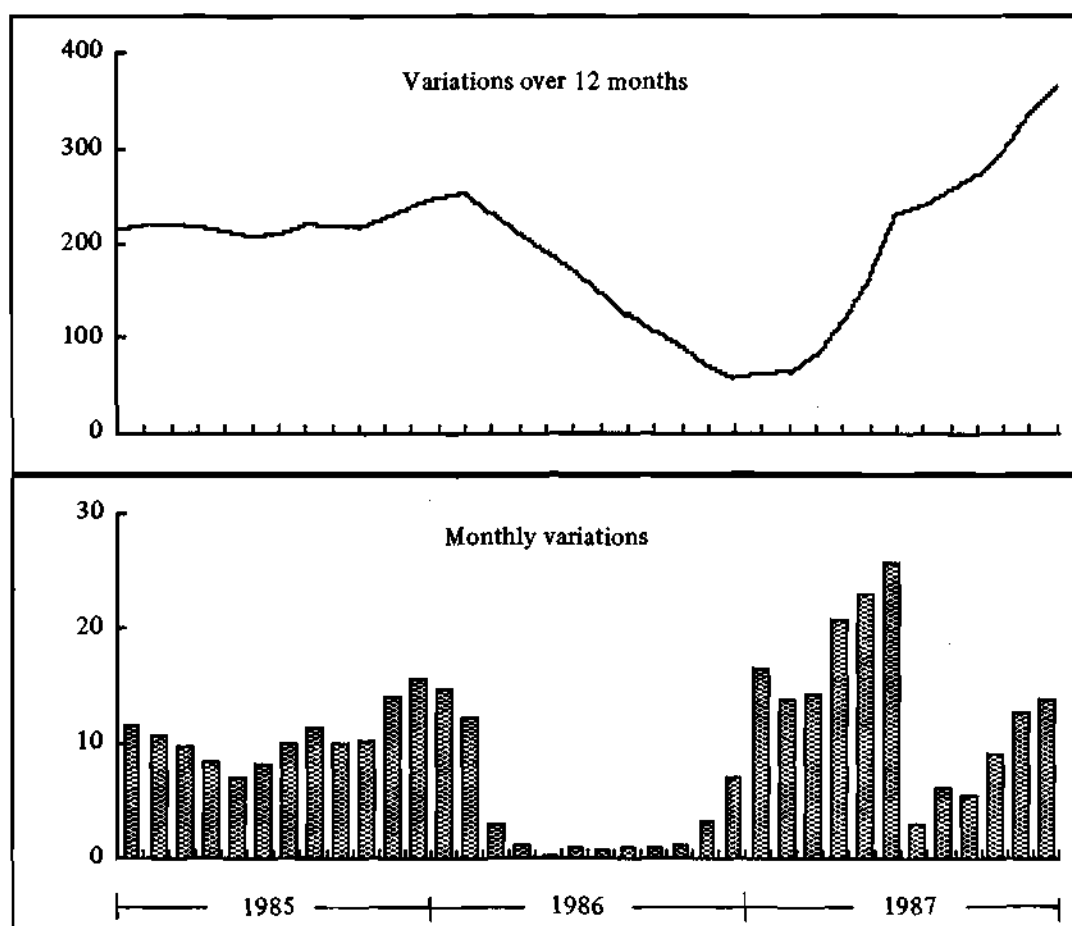
In 1987 inflation reached an unprecedented level in the country —almost 400%— which was far greater not only than the rate of the previous year, but also than the rates of the period preceding the institution of the Cruzado Plan (see table 19 and figure 2). In the last months of 1986 inflationary pressures had increased to such a point that the government was obliged to take measures to deal with the supply problems and the serious financial imbalances affecting public enterprises. These measures, which consisted of adjusting prices and rates and introducing or increasing indirect taxes, caused an immediate jump in prices, which, from a monthly variation of less than 2% in October, increased to almost 17% in January.

The rigid control of prices provided for by the Cruzado Plan rapidly deteriorated in the early months of 1987. In February the government found it necessary to decontrol the majority of prices, not only to slow down the excessive growth of demand, but also to place supply on a viable basis, especially of products and services provided by State enterprises. Manufactures and services (including housing) thus recovered their former profit margins, which had diminished as the result of the Cruzado Plan.

The adjustment of relative prices at the end of the prolonged freeze had a strong impact on inflation, which increased markedly in the first months of the year. This was compounded by the rapid introduction of indexing mechanisms, including a sliding wage scale, and the difficulty of controlling the public deficit, and the result was that the rate of inflation rose above 20%, which in annual terms was equivalent to more than 1 000%. The only factor which somewhat attenuated inflation was agricultural prices, which rose more slowly than the average rate for other prices because of the excellent harvests of most of the crops.

The initial response of the government to this situation was to return to the use of traditional economic policy tools: the freeing of prices, the maintenance of positive real interest rates, and efforts to apply a more restrictive fiscal policy. However, on the whole these measures were incapable of curbing price increases, which were sped up by expectations of another freeze and by the severe macroeconomic disequilibria and imbalances in fiscal accounts. The measures taken in an effort to restrain public spending were particularly ineffective. Meanwhile, real wages, which were

Figure 2
BRAZIL: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official data.

presumably protected by the sliding scale, could not be maintained in the face of the spiraling rate of inflation, except in those sectors that had powerful trade unions, such as public enterprises, which won pay increases greater than the rise in price indexes.

In June the government launched a new stabilization plan—the Macroeconomic Control Plan—whose main characteristics were: a 90-day price and wage freeze; the raising of real interest rates; an increase in real public rates and charges; an additional 10.5% devaluation of the currency and the introduction of a daily readjustment scale to compensate for subsequent price increases; and, lastly, the establishment of a mechanism for future price and wage adjustments according to the monthly variation in the Price Reference Unit (URP), which was calculated on the basis of the average cumulative rate of inflation for the preceding quarter. On the other hand, price controls were less rigid than under the Cruzado Plan; instead, a differentiated price control system was introduced that took into account the market structure of each product and whose adjustments would be based on the variation in the Price Reference Unit (URP).

The Plan permitted the economic authorities to regain some measure of control over the economy and to establish some rules for price and wage adjustments, but the danger of hyperinflation remained latent throughout the rest of the year. Moreover, the efforts made to diminish the public

deficit by reinstalling the real value of public rates caused the adjustments of these prices to exceed the variation in the URP. Consequently, other industrial prices did not adhere to the scale established in the Plan either. Towards the end of the year, expectations of a new price freeze once again generated pressure for price adjustments. Hence, the effectiveness of the new Plan was short-lived, and in the last quarter of its application, inflation returned to levels of over 10%.

b) *Wages*

Workers' wages dropped sharply in 1987 as a result of the increase in inflation and the changes made in the adjustment mechanisms (see table 20).

In 1986, wages had shown significant real increases as a result of a number of agreements reached in the course of labour negotiations and the drop in inflation caused by the Cruzado Plan. These increases were presumably protected by the automatic adjustment mechanism, which went into effect whenever the cumulative level of inflation passed 20%. Beginning in January 1987, given the prevailing rate of inflation, the application of the sliding scale was begun, and since the increases in the price index were nearing 20%, this mechanism was triggered nearly every month. Nevertheless, the lag involved in the payment of wage adjustments and the speeding up of inflation contributed to a substantial reduction of real wages throughout the first half of the year. The wage freeze established by the new Plan in June consolidated these decreases in real wages, and the mechanisms for gradually correcting wage adjustments were not enough to counteract the drop.

Consequently, the wages of many categories of workers suffered a real loss of over 20%. The better-organized trade unions, however, were able to maintain the purchasing power of their remunerations, since they were granted an advance during the last six months of the year to compensate for the lag between price increases and wage adjustments. Workers in the main State enterprises benefitted the most from this measure, and in some cases they even managed to achieve a significant real increase in their incomes.

Most of the cost to the economy of adjusting real wages was borne by the low-income sectors. In 1987 the minimum wage exhibited a real drop of 17%, although in September the government initiated a process for raising this wage which was expected to double its real value over a period of two years. The real minimum wage reached its lowest level in July, when it had dropped by 28% as compared to the preceding year.

5. Monetary and fiscal policy

a) *Fiscal policy*

The public sector was the focal point of the pressure generated by the end of the Cruzado Plan. The rapid increase in inflation led to the failure of several proposals for restoring a balance in fiscal accounts, which had been put forward in 1986. Firstly, the high level of inflation in combination with a slower growth rate, eroded the real value of tax revenues. Secondly, the maintenance of high real interest rates in order to control the liquidity of the economy seriously affected the servicing of the domestic public debt. Lastly, public-sector current expenditures were not controlled, especially in respect of wages. Thus, the financing requirements of the public sector increased from 3.5% of the gross domestic product in 1986 to 5.5% in 1987 (see table 21).

Tax receipts in 1987 showed a real drop of 7.5% as a result of the decrease in the revenue from income taxes (-18%) and from levies on financial operations (-7%). The decrease in income tax revenue was due to the effects on businesses of the price freeze, the fact that wages lagged behind inflation, and the tax exemption on short-term federal government bonds (close to 72% of the total amount outside banks). Meanwhile, the drop in tax revenues from financial operations was due to the smaller real volume of bank loans. Another factor in the decline in receipts from these two taxes was the loss caused by the lag which existed in respect of inflation. The revenues of the states dropped in real terms as well, especially in the case of their receipts from the sales tax, which fell by about 7% in real terms (see table 22).

These real losses in tax revenues made it necessary for the public sector to turn to the financial system for private savings.

Federal securities held by the public increased by 36% in real terms, and the debt securities of the various states and municipalities climbed by somewhat more than 50%.

Government spending reflected the increases resulting from the high rate of inflation—above all in wages—and from the policy of domestic and external borrowing. As a result of the rise in real wages seen over the last two years and the maintenance of indexing mechanisms, federal government expenditure on personnel went up by 18% in real terms and the outlays corresponding to the service on the external and domestic debts rose by 12%. As regards the State and municipal governments, the main modification made in relation to their expenditures was the suspension of the system used for indexing the wages of their employees and its replacement by less frequent adjustments (every three months) based on the nominal growth of tax receipts.

State enterprises benefitted from the fiscal and prices policies applied during the year. Capital transfers from the National Treasury to these enterprises, which included resources from the National Development Fund, amounted to 2% of the gross domestic product. In 1987, the government instituted a policy for restoring the real value of public rates and administered prices. There were real increases in the rates and charges for electrical energy (34%), mail service (25%), railways (53%), steel (12%) and diesel oil (20%). With these new prices, the State enterprises were able to show real increases in their operating incomes, although they were insufficient to cover their extremely high expenses, which were pushed upward by successive real increases in wages and financial costs.

b) *Monetary policy*

In 1987 the Central Bank absorbed the cost of the financial imbalances of the public sector and of some segments of the private sector. As a result, the monetary base could not be controlled as planned.

During the first half of the year, the government continued its attempt to control the liquidity of the economy through its monetary policy, maintaining positive real interest rates in line with its effort to generate domestic saving and avoid speculative stock accumulation. The inflationary process led to the reintroduction of indexing mechanisms, causing money to be redirected towards the purchase of adjustable securities. This "demonetization" process continued throughout the year. While the means of payment increased by 130% in the year, M_4 , which includes indexed government securities, grew by 360% in the same period (see tables 23 and 24).

In June, the application of the Macroeconomic Control Plan permitted a reduction in nominal interest rates. Nevertheless, in other cases, such as consumer credit, the Central Bank maintained high real interest rates in order to better control demand (see table 25).

Although the Macroeconomic Control Plan established mechanisms for eliminating subsidized credit operations or fiscal spending financed with Central Bank resources, in 1987 the monetary authority created significant special lines of credit. The main ones were the rediscounting of loans that had been made to small and medium-sized businesses during the time of the Cruzado Plan, the resources directed towards the financial recovery of the State government banks, and the purchase of National Development Fund shares.³ The sum required for these lines of credit amounted to 180 billion cruzados, i.e., slightly more than half of the increase in the monetary base.

The main factor in the expansion of the monetary base was external-sector operations. For its part, the Banco do Brasil continued to require resources from the Central Bank, mainly for its rural credit operations and for loans for the purchase of agricultural products, especially wheat and coffee (see table 26).

To finance these expenditures, the Central Bank placed mainly in the second half of the year, a net amount of 220 billion cruzados in public securities on the market, which resulted in a real increase of 36% in the amount of domestic federal debt paper held by the public. In addition, other sources of funds for the Central Bank included "compulsory loans" on purchases of gasoline and alcohol fuel, voluntary deposits in the system for financing housing, and foreign-currency deposits. The latter two

³The National Development Fund was created in July 1986 for the purpose of financing investments in the main State enterprises.

offered an alternative form of income to their holders while, in the first case, easing the difficulty of obtaining loans for housing and, in the second case, serving as a form of protection against large devaluations of the cruzado. Nevertheless, although the cost of these deposits was less than the cost of government securities, they caused the monetary authorities to lose control over the expansion of the monetary base, since no major restrictions had been placed on their withdrawal from the Central Bank.

Deposits and other domestic liabilities of the financial system in respect of the public showed a nominal increase of 125%, which was equivalent to a steep drop in real terms. This was the result of the public's preference for readjustable assets which provided protection against a resurgence of inflation (see table 27).

Table 1

BRAZIL: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes 1980 = 100							
A. Basic economic indicators							
Gross domestic product at market prices	96.6	97.5	95.2	100.5	108.9	117.7	121.1
Gross national income	94.1	93.3	90.9	96.4	104.5	115.3	119.0
Population (millions of inhabitants)	124.1	126.7	129.8	132.7	135.6	138.5	141.5
Per capita gross domestic products	94.5	93.2	88.9	91.9	97.5	103.1	103.9
Growth rates							
B. Short-run economic indicators							
Gross domestic product	-3.4	0.9	-2.3	5.7	8.4	8.1	2.9
Per capita gross domestic product	-5.5	-1.3	-4.5	3.4	6.1	5.9	0.8
Gross national income ^b	-5.9	-0.9	-2.5	6.1	8.5	10.3	3.3
Terms of trade (goods and services)	-13.5	-7.0	-4.8	7.5	-3.8	13.8	-3.4
Current value of exports of goods and services	16.8	-13.9	7.5	22.5	-4.6	-11.8	15.8
Current value of imports of goods and services	-2.1	-9.0	-21.1	-10.0	-4.0	6.7	7.4
Consumer prices ^c							
December to December	93.5	100.3	178.0	209.1	239.1	58.6	396.0
Variation between annual averages	102.8	97.0	140.7	195.8	218.2	137.4	221.6
General price index. Domestic availability ^d							
December to December	102.8	97.0	140.7	195.8	218.2	137.4	221.6
Variation between annual averages	95.2	99.7	211.0	223.6	235.1	65.0	415.8
Money (means of payments)	109.9	95.4	154.5	220.6	225.5	142.3	224.8
Real wages ^e	87.2	65.0	97.4	201.8	304.2	303.8	133.3
Urban unemployment ^f	4.7	2.3	-12.3	2.9	23.0	25.9	-5.9
Current government income	7.9	6.3	6.7	7.1	5.3	3.9	3.7
	85.4	104.2	145.5	198.1	297.9	192.9	205.2
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-1 677	-2 795	4 079	11 345	10 735	6 337	8 844
Net payment of profits and interest	10 274	13 509	11 025	11 473	11 228	10 814	9 701
Balance on current account	-11 760	-16 314	-6 842	33	-353	-4 381	-787
Balance on capital account	12 381	11 119	4 943	5 342	-170	1 197	-1 025
Variation in international reserves	747	-4 157	-1 214	6 102	-1 893	-3 934	-2 129
Total external debt	71 878	83 205	91 362	99 765	105 126	111 045	121 264

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bGross domestic product plus the terms-of-trade effect (goods and services). ^cNational consumer price index.^dThe general price index is a weighted average of the wholesale price index (60%), of the cost-of-living index for Rio de Janeiro (30%) and of the construction cost index (10%). ^eReal average wages in industry in São Paulo. ^fWeighted average of the rates in the main metropolitan areas.

Table 2

BRAZIL: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	104.0	112.8	115.8	111.1	106.3	4.8	7.7	8.4	2.7
Gross domestic product at market prices	108.9	117.7	121.1	100.0	100.0	5.7	8.4	8.1	2.9
Imports of goods and services ^b	60.4	68.6	68.0	11.1	6.3	-6.0	-1.7	13.6	-0.9
Total demand	104.0	112.8	115.8	111.1	106.3	4.8	7.7	8.4	2.7
Domestic demand	99.3	111.2	113.3	102.4	95.8	3.0	8.6	11.9	1.9
Gross domestic investment	c	c	c	22.4	c	c	c	c	c
Gross fixed investment	79.1	94.2	91.3	22.0	16.6	4.1	11.7	19.0	-3.1
Construction	91.7	107.7	103.3	13.6	11.6	1.3	11.3	17.1	-4.0
Machinery	58.6	72.6	72.0	8.4	5.0	11.9	12.7	23.9	-0.9
Changes in stocks				0.4	c				
Total consumption	104.9 ^d	155.9 ^d	119.3 ^d	79.9	79.2 ^d	2.8 ^d	8.0 ^d	10.5 ^d	3.0 ^d
Exports of goods and services ^b	158.7	131.0	144.9	8.8	10.5	19.0	1.7	-17.5	10.6

Source: ECLAC, on the basis of figures supplied by the National Accounts Division of the Brazilian Geographical and Statistical Institute Foundation (FIBGE), the Central Bank of Brazil and the Getulio Vargas Foundation.

^aPreliminary figures. ^bThe figures on exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were then converted to dollars at constant 1980 values using price indexes calculated by ECLAC for the purpose. ^cChanges in stocks are included in private consumption. ^dIncludes changes in stocks.

Table 3

**BRAZIL: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	108.9	117.7	121.1	100.0	100.0				
Goods	101.0	108.2	111.6	48.9	45.1	5.4	8.8	7.1	3.1
Agriculture ^b	118.5	109.1	124.4	10.3	10.6	3.2	8.4	-7.9	14.0
Mining	174.6	181.1	179.8	0.6	0.9	30.0	11.5	3.7	-0.7
Manufacturing	96.3	107.1	108.2	31.4	28.0	6.2	8.3	11.2	1.0
Construction	89.4	105.2	101.1	6.6	5.5	2.6	11.3	17.7	-3.9
Basic services	129.6	138.0	145.0	6.5	7.8	7.9	8.6	6.5	5.1
Electricity, gas and water	146.5	158.7	163.9	1.8	2.5	12.2	10.2	8.3	3.3
Transport, storage and communications	123.0	130.0	137.7	4.7	5.4	6.1	7.9	5.7	5.9
Other services									
Commerce, restaurants and hotels	102.3	112.4	114.6	17.9	16.9	6.4	8.7	9.9	2.0
Financial institutions, insurance, real estate and business services	129.1	138.6	142.7		18.5	5.3	8.5	7.4	3.0
Government services	112.4	115.8	117.2		11.5	2.4	2.2	3.0	1.2

Source: ECLAC, on the basis of figures supplied by the National Accounts Division of the Brazilian Geographical and Statistical Institute Foundation (FIBGE).

^aPreliminary figures. ^bIncludes livestock, forestry and fishing.

Table 4

BRAZIL: INDICATORS OF AGRICULTURAL PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of the agricultural product (1980 = 100)	105.9	109.3	118.9	110.2	125.6	1.7	3.2	8.8	-7.3	14.0
Production of main crops (thousands of tons)										
For export										
Coffee beans (unhusked)	3 331	2 679	3 753	1 945	2 520 ^b	79.7	-19.6	40.1	-48.2	29.6 ^b
Soya	14 582	15 536	18 278	13 335	16 814	13.6	6.5	17.6	-27.0	26.1
Oranges ^c	58 661	64 613	70 996	66 633	73 364	1.2	10.1	9.9	-6.1	10.1
Sugar cane	216 534	222 716	245 904	238 493	270 431	16.2	2.9	10.4	-3.0	13.4
Cocoa	380	345	419	460	337	4.6	-9.2	21.4	9.8	-26.7
Tobacco	395	415	411	387	398	-6.2	5.1	-1.0	-5.8	2.8
Cotton	1 599	2 158	2 836	2 198	1 612	-17.1	35.0	31.4	-22.5	-26.7
Peanuts	284	247	339	215	196	-10.4	-13.0	37.2	-36.6	-8.8
Castor beans	172	225	416	260	107	-10.8	30.8	84.9	-37.5	-58.8
For domestic consumption										
Rice	7 741	9 022	9 019	10 405	10 422	-20.3	16.5	0.0	15.4	0.2
Beans	1 587	2 614	2 547	2 219	2 019	-45.4	64.7	-2.6	-12.9	-9.0
Maize	18 744	21 174	22 017	20 541	26 787	-14.4	13.0	4.0	-6.7	30.4
Cassava	21 568	21 289	23 073	25 556	23 399	-10.2	-1.3	8.4	10.8	-8.4
Potatoes	1 818	2 172	1 989	1 834	2 343	-15.3	19.5	-8.4	-7.8	27.8
Tomatoes	1 552	1 820	1 932	1 838	2 043	-10.7	17.3	6.2	-4.9	11.2
Wheat	2 236	1 956	4 247	5 638	5 889	20.9	-12.5	117.1	32.8	4.5
Selected livestock production (thousands of tons)										
Beef	2 441	2 096	2 165	1 870	1 950 ^d	2.0	-14.1	3.3	-13.6	6.4 ^d
Pork	654	559	573	599	719	5.1	-14.5	2.5	4.5	20.0
Poultry meat	1 216	1 372	1 150	1 193	1 324	4.1	12.8	-16.2	3.7	11.0
Milk	10 729	8 010	7 865	7 584	7 855 ^d	3.5	-25.3	-1.8	-3.6	14.7 ^d

Source: Brazilian Geographical and Statistical Institute Foundation (FIBGE), *Levantamento sistemático da produção agrícola*.^a Preliminary figures.^b Estimates. Brazilian Coffee Institute (IBC).^c Millions of units.^d January to November.

Table 5

BRAZIL: INDICATORS OF MINING PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of mining production (1980 = 100)	120.5	156.6	174.6	181.1	179.8	15.4	30.0	11.5	3.7	-0.7
Production of some major minerals (thousands of tons)										
Petroleum ^b	19.1	26.8	31.7	33.2	32.8	26.9	40.3	18.3	4.7	-1.2
Natural gas ^c	4.0	4.9	5.5	5.7	5.8	32.5	22.5	12.2	3.6	1.8
Coal	21.4	22.8	24.6	22.7	18.7	11.7	6.5	7.9	-7.7	-17.6
Iron ore	89.2	113.0	123.0	129.2	134.1	-5.0	26.7	8.8	5.0	3.8
Nickel	10.7	12.7	13.2	13.5	13.9	36.3	18.7	3.9	2.3	3.0

Source: Brazilian Geographical and Statistical Institute Foundation (FIBGE), National Petroleum Council, National Department of Mining Production, Central Bank of Brazil and National Non-ferrous Metals and Iron and Steel Council (CONSIDER).

^aPreliminary figures.

^bThousands of cubic metres.

^cMillions of cubic metres.

Table 6

BRAZIL: INDICATORS OF MANUFACTURING PRODUCTION

	Average indexes (1981 = 100) ^a					Growth rates				
	1983	1984	1985	1986	1987 ^b	1983	1984	1985	1986	1987 ^b
Manufacturing production	93.6	99.3	107.6	120.0	121.6	-6.1	6.1	8.3	11.6	1.3
Categories of goods										
Capital goods	68.7	78.8	88.5	108.3	106.0	-19.3	14.7	12.3	22.4	-2.1
Intermediate goods ^c	99.7	109.9	117.8	128.3	130.4	-3.0	10.2	7.2	9.0	1.6
Consumer durables	107.1	99.1	114.1	137.5	130.4	-0.8	-7.5	15.1	20.6	-5.2
Consumer non-durables	97.4	99.3	107.1	116.2	117.9	-4.6	1.9	7.9	8.5	1.5
Industry										
Foodstuffs	104.4	103.5	103.5	104.0	111.3	3.0	-0.9	0.1	0.4	7.0
Beverages	92.5	92.0	102.1	126.1	120.3	-5.1	-0.6	11.0	23.5	-4.6
Tobacco	102.5	105.9	117.0	127.6	129.4	-1.8	3.3	10.5	9.0	1.4
Textiles	93.8	90.5	102.7	116.3	115.9	-10.5	-3.6	13.6	13.2	-0.3
Clothing	91.1	92.8	99.8	104.6	95.8	-11.5	1.9	7.5	4.8	-8.4
Paper and paperboard	109.0	116.5	123.9	137.0	142.0	1.7	6.8	6.4	10.5	3.6
Petroleum products	98.7	106.1	106.2	125.3	132.8	-3.6	7.5	0.1	18.0	6.0
Other chemicals	107.9	118.9	131.0	125.3	132.8	-3.4	10.3	10.2	-4.4	6.0
Pharmaceuticals	93.3	101.4	106.7	130.8	133.4	-7.6	8.8	5.2	22.6	2.0
Perfumery, soaps and candles	104.8	103.6	116.9	143.2	167.7	1.3	-1.1	12.8	22.5	17.1
Rubber	94.7	103.1	111.5	130.0	135.1	0.8	8.9	8.2	16.6	3.9
Plastic articles	97.1	100.9	112.2	136.9	131.9	-9.8	3.8	11.3	22.0	-3.7
Non-metallic minerals	81.2	81.1	87.2	103.2	106.8	-16.5	-0.2	7.5	18.4	3.5
Metallurgy	94.0	107.0	114.5	127.9	128.9	-2.4	13.8	7.0	11.7	0.8
Machinery	71.6	84.9	93.5	113.9	120.0	-13.0	18.6	10.1	21.9	5.4
Electrical equipment	91.9	94.4	112.6	141.3	133.5	-10.7	2.7	19.3	25.5	-5.5
Transport equipment	90.6	94.6	105.7	118.8	106.8	-6.7	4.5	11.7	12.4	-10.1
Other indicators of manufacturing production										
Industrial consumption of electricity ^d	68.0	80.3	91.3	97.2	97.3	6.4	18.1	13.7	6.5	0.1
Employment ^e	87.6	87.4	94.8	104.3	106.5	-6.8	-0.2	8.5	10.0	2.1

Source: Brazilian Geographical and Statistical Institute Foundation (FIBGE), *Indicadores IBGE*, revised series.^aThe indexes were calculated on the basis of figures at constant 1980 prices.^bPreliminary figures.^cIncludes mining. ^dBillions of kWh consumed by the manufacturing sector. ^eIndexes: 1978 = 100; personnel employed in the industrial sector in the state of Sao Paulo, annual average.

Table 7

BRAZIL: MOTOR VEHICLE PRODUCTION

	Thousands of units						Growth rates					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Motor vehicles	860.0	896.0	865.0	967.0	1 057.0	920.2	10.1	4.2	-3.5	11.8	9.3	-12.9
Automobiles	475.1	576.0	538.0	759.0	816.0	684.0	16.9	21.2	-6.6	41.1	7.5	-16.2
Light trucks and utility vehicles	328.0	278.0	272.0	134.0	146.0	148.5	15.9	-15.2	-2.2	-50.7	9.0	1.7
Trucks	47.0	36.0	49.0	65.0	83.8	74.1	-38.2	-23.4	36.1	32.7	28.9	-11.6
Buses	10.0	6.0	7.0	8.0	11.2	13.6	-26.2	-40.0	16.7	14.3	40.0	21.4
Alcohol-fueled vehicles^a	238.0	592.0	561.0	642.0	699.0	458.7	80.6	148.7	-5.2	14.4	8.9	-34.4
Exports of vehicles ^b	173.0	169.0	196.0	208.0	183.0	344.7	-18.5	-2.3	16.0	6.1	-12.0	88.4

Source: National Association of Motor Vehicle Manufacturers (ANFAVEA).

^aIncluded in the total number of vehicles. ^bIncludes exports of CKD vehicles.

Table 8

BRAZIL: FORMAL URBAN EMPLOYMENT

(Percentage variation between annual averages)

Regions and metropolitan areas	Processing industry		Construction		Trade		Services		Total ^a	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
Brazil	9.2	3.0	8.0	0.5	7.4	2.5	4.0	3.4	5.5	2.6
North	14.8	6.1	-10.0	-3.6	10.3	4.2	6.0	5.7	5.4	1.7
North-east	7.0	5.6	2.5	-5.3	8.7	3.4	5.1	3.2	4.5	2.1
South-east	9.7	2.7	11.3	2.8	8.0	3.6	3.9	3.2	6.0	2.7
South	8.3	3.5	11.8	2.3	7.4	2.2	2.9	3.3	4.8	2.6
Centre-west	8.5	3.6	3.5	-2.7	6.3	2.7	4.6	3.3	4.3	2.1
Metropolitan areas	9.8	3.2	9.9	1.7	7.3	2.8	4.1	3.7	5.6	2.4
Belem	9.8	3.3	7.5	2.9	11.5	1.2	5.8	5.0	6.0	2.6
Fortaleza	10.6	4.5	16.2	-8.9	9.0	1.3	6.3	3.4	6.6	2.0
Recife	10.1	4.5	-3.4	6.9	7.5	3.9	5.3	4.1	4.6	3.1
Salvador	3.6	5.3	0.1	-1.4	5.8	1.2	5.1	4.6	3.1	1.8
Belo Horizonte	13.2	3.9	12.6	-4.1	8.5	3.6	7.2	4.0	7.3	1.9
Rio de Janeiro	6.5	3.8	7.7	-0.9	5.3	1.4	3.3	3.0	4.1	2.2
São Paulo	10.7	2.3	13.9	6.4	8.6	4.8	3.8	3.6	6.8	2.9
Curitiba	12.2	6.9	26.4	6.0	7.6	4.9	2.2	3.1	6.8	3.9
Porto Alegre	5.9	1.3	-2.1	0.1	5.6	0.5	2.8	1.8	3.3	1.8

Source: Ministry of Labour. Cadastro Geral de Empregados e Desempregados, Law 4923.

^aThe total also includes mining, public utilities, government service, agriculture, market gardening, hunting and fishing.

Table 9

BRAZIL: UNEMPLOYMENT RATES IN MAIN URBAN CENTRES

Major cities	1984	1985	1986	1987	1986				1987			
					I	II	III	IV	I	II	III	IV
Rio de Janeiro	6.8	4.9	3.5	3.2	4.0	3.9	3.5	2.6	3.1	3.5	3.5	2.9
São Paulo	6.8	5.0	3.3	3.8	4.2	3.7	3.1	2.4	3.2	3.9	4.4	3.6
Belo Horizonte	8.3	5.7	3.7	3.9	4.9	4.2	3.4	2.4	3.5	4.4	4.3	3.5
Porto Alegre	6.9	5.4	3.9	3.9	4.7	4.5	3.7	2.6	3.6	3.9	4.7	3.5
Salvador	7.7	6.0	4.5	4.1	4.8	4.8	4.8	3.8	3.7	4.3	4.4	4.1
Recife	9.0	7.2	4.4	5.2	4.9	5.0	4.4	3.3	4.1	5.6	6.0	5.0
Average for urban centres ^a	7.1	5.3	3.9	3.7	4.6	4.4	3.8	2.9	3.3	3.9	4.2	3.5

Source: Brazilian Geographical and Statistical Institute Foundation (FIBGE), *Indicadores IBGE*, various issues.^aWeighted according to the economically active population of each city.

Table 10

BRAZIL: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rate (cruzeiros per dollar)	Indexes of the effective real exchange rate ^a		
		Exports	Imports	
			(1)	(2) ^b
1970-1979	0.01	78.5	65.9	80.1
1980	0.05	100.0	100.0	100.0
1981	0.09	83.3	89.4	86.3
1982	0.18	80.9	85.7	82.7
1983	0.58	96.4	96.5	98.6
1984	1.85	90.4	90.2	93.6
1985	6.20	91.9	91.0	95.5
1986	13.65	93.0	72.4	91.8
1987	39.23	96.1	72.9	92.3
1985				
I	3.76	84.8	86.4	89.6
II	5.23	94.5	94.7	99.3
III	6.80	95.3	93.7	98.4
IV	9.01	93.1	89.3	94.8
1986				
I	12.73	89.2	75.1	89.2
II	13.84	94.4	71.8	93.5
III	13.84	95.2	71.5	93.5
IV	14.21	93.1	71.0	90.8
1987				
I	18.23	95.2	71.3	90.7
II	31.32	94.4	71.9	90.5
III	47.31	98.8	75.8	95.7
IV	60.06	96.0	72.4	92.2

Source: ECLAC, on the basis of data from the International Monetary Fund, *International Financial Statistics*.^aCorresponds to the average of the real exchange rate indexes of the cruzeiro with respect to the currencies of Brazil's main trading partners, weighted in accordance with the relative share of exports or imports, as the case may be, to or from those countries. From 1970 to 1980, these weightings correspond to the average for the period 1975-1979. As from 1981, the weighting corresponds to the average for the period 1982-1985. Wholesale price indexes have been used in the calculations whenever possible. For more information on the methodology and sources used, see the technical appendix in ECLAC, *Economic Survey of Latin America*, 1981.^bExcludes the following petroleum-exporting countries: Saudi Arabia, Iraq and Nigeria.

Table 11

BRAZIL: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	15.6	-13.3	8.6	23.3	-5.4	-12.1	16.8
Volume	23.0	-6.9	17.0	19.4	1.5	-17.7	11.8
Unit value	-6.0	-6.9	-7.2	3.2	-6.8	6.8	4.4
Imports FOB							
Value	-3.8	12.2	-20.4	-9.8	-5.7	6.7	7.4
Volume	-13.0	-11.3	-16.3	-3.8	-1.6	15.5	-1.8
Unit value	10.6	-1.0	-4.9	-6.3	-4.1	-7.6	9.4
Terms of trade	-15.0	-6.2	-2.6	9.6	-3.1	15.1	-4.5
Indexes (1980 = 100)							
Purchasing power of exports	104.5	91.3	104.1	136.3	134.1	127.0	135.6
Volume of exports	123.0	114.5	134.0	160.1	162.4	133.7	149.5
Volume of imports	87.0	77.1	64.5	62.1	61.1	70.6	69.3
Terms of trade	85.0	79.9	77.9	85.8	83.5	96.4	92.0

Source: ECLAC, on the basis of official data.

^aPreliminary figures.

Table 12

BRAZIL: EXPORTS OF GOODS, FOB

	Millions of dollars					Breakdown			Growth rates				
	1983	1984	1985	1986	1987 ^a	1980	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	21 899	27 005	25 639	22 393	26 213	100.0	100.0	100.0	8.5	23.3	-5.1	-12.7	17.1
Commodities	8 535	8 755	8 538	7 349	8 020	42.2	32.8	30.6	3.6	2.6	-2.5	-13.9	9.1
Coffee beans	2 096	2 564	2 369	2 063	2 000 ^c	12.3	9.2	7.6	12.8	22.3	-7.6	-12.9	-3.1
Iron ore ^b	1 428	1 445	1 402	1 234	1 563	7.8	5.5	6.0	-22.7	1.2	-3.0	-12.0	26.7
Soya meal and cake	1 793	1 460	1 175	1 181	1 450	7.2	5.3	5.5	10.7	-18.6	-19.5	0.5	22.8
Soya beans	309	454	764	243	570	2.0	1.1	2.2	151.2	46.9	68.3	-68.2	134.6
Unrefined sugar	323	326	166	138	134	3.1	0.6	0.5	24.7	0.9	-49.1	-16.9	-2.9
Other	2 586	2 506	2 662	2 490	2 303	9.8	11.1	16.4	2.1	-3.1	6.2	-6.5	-7.5
Processed products	13 057	17 955	16 822	14 867	18 008	56.5	66.4	68.7	11.7	37.5	-6.3	-11.6	21.1
Semi-manufactures	1 782	2 824	2 758	2 481	3 177	11.6	11.1	12.1	24.4	58.5	-2.3	-10.0	28.1
Manufactures	11 275	15 131	14 064	12 386	14 831	44.8	55.3	56.6	10.0	34.2	-7.1	-11.9	19.7
Processed coffee	252	292	263	297	300 ^c	1.4	1.3	1.1	-1.6	15.9	-9.9	12.9	1.0
Orange juice	608	1 415	749	636	832	1.7	2.8	3.2	5.7	132.7	-47.1	-15.1	30.8
Footwear	713	1 072	968	1 017	1 169	2.0	4.5	4.5	36.1	50.4	-9.7	5.1	14.9
Transport equipment	1 452	1 354	1 694	1 568	2 780	7.5	7.0	10.6	-15.5	-6.7	25.1	-7.4	77.3
Machinery, boilers and mechanical apparatus	1 106	1 396	1 590	1 443	1 634	6.9	6.4	6.2	-7.7	26.2	13.9	-9.2	13.2
Electrical machinery and equipment	448	591	581	794	888	2.3	3.5	3.4	10.3	31.9	-1.7	36.7	11.8
Manufactured iron and steel products	1 259	1 548	1 206	999	501	3.1	4.5	1.9	57.1	23.9	-22.1	-17.2	-49.8
Other	5 447	7 463	7 013	5 632	6 727	19.9	25.2	25.7	-74.4	37.0	-6.0	-19.7	19.4
Other products^d	307	295	279	177	185	1.3	0.8	0.7	-6.8	-3.9	-5.4	-36.6	4.5

Source: Banco do Brasil, Carteira do Comércio Exterior (CACEX) and Central Bank of Brazil.

^aPreliminary figures. ^bEstimates. ^cExcluding itabirite. ^dIncluding consumption on board ships and aircraft, re-exports and special transactions.

Table 13

BRAZIL: IMPORTS OF GOODS, FOB

	Millions of dollars				Breakdown			Growth rates			
	1984	1985	1986	1987 ^a	1980	1986	1987 ^a	1984	1985	1986	1987 ^a
Total	13 916	13 154	14 045	15 061	100.0	100.0	100.0	-9.8	-5.5	6.8	7.2
Consumer goods	700	794	1 995	1 516	5.7	14.2	10.1	-12.1	13.4	151.3	-24.0
Intermediate goods	11 065	9 880	8 586	9 587	75.2	61.1	63.7	-8.8	-10.7	-13.1	11.7
Fuels and lubricants	6 735	5 694	2 786	3 859	44.4	19.8	25.6	-21.7	-15.5	-51.1	38.5
Other	4 330	4 486	5 800	5 728	30.8	41.3	38.0	23.0	3.6	29.3	-1.2
Capital goods	2 151	2 480	3 464	3 958	19.1	24.7	26.3	-14.1	15.3	39.7	14.3

Source: Central Bank of Brazil.

^aPreliminary figures.

Table 14

BRAZIL: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-12 848	-11 760	-16 314	-6 842	33	-353	-4 381	-787
Trade balance	-5 935	-1 677	-2 795	4 079	11 345	10 735	6 33	8 844
Exports of goods and services	21 857	25 523	21 967	23 619	28 939	27 617	24 348	28 187
Goods FOB	20 132	23 275	20 172	21 906	27 001	25 539	22 451	26 213
Real services ^b	1 726	2 248	1 791	1 712	1 937	2 077	1 897	1 974
Transport and insurance	843	1 102	1 013	1 119	1 309	1 515	1 272	1 351
Travel	125	242	66	40	64	66	84	102
Imports of goods and services	27 792	27 200	24 762	19 540	17 594	16 882	18 011	19 343
Goods FOB	22 955	22 091	19 395	15 434	13 915	13 127	14 011	15 052
Real services ^b	4 838	5 109	5 365	4 106	3 678	3 754	3 999	4 291
Transport and insurance	2 758	2 786	2 460	2 025	2 070	1 873	1 718	2 313
Travel	367	407	913	431	218	440	570	286
Factor services	-7 041	-10 274	-13 509	-11 025	-11 473	-11 228	-10 814	-9 701
Profits	-720	-1 112	-2 141	-1 453	-1 267	-1 605	-1 680	-909
Interest received	1 146	1 144	1 198	707	1 245	1 521	962	527
Interest paid	-7 456	-10 306	-12 550	-10 267	-11 449	-11 124	-10 072	-9 319
Other	-9	-1	-14	-13	-2	-20	-25	-
Unrequited private transfer payments	128	189	-11	106	161	140	96	70
Balance on capital account	9 379	12 381	11 119	4 943	5 342	-170	1 197	-1 025
Unrequited official transfer payments	42	10	2	2	10	15	-9	-
Long-term capital	7 104	11 659	8 011	7 997	9 773	2 302	865	73
Direct investment (net)	1 544	2 313	2 534	1 372	1 557	1 281	333	488
Portfolio investment (net)	354	-2	-1	286	-272	-235	-429	-
Other long-term capital	5 206	9 348	5 478	6 911	8 489	1 255	961	-
Official sector ^c	-14	60	1 744	9 279	11 283	6 296	8 775	-
Loans received	1 841	1 650	3 368	13 329	20 561	15 160	13 292	-
Amortization payments	-1 366	-1 319	-1 284	-4 153	-9 427	-8 683	-4 467	-
Commercial banks ^c	2 105	4 054	1 681	-1 520	-1 404	-2 630	-3 684	-415
Loans received	4 005	6 409	4 239	1 136	1 230	327	76	-
Amortization payments	-1 917	-2 361	-2 559	-2 656	-2 631	-2 957	-3 760	-
Other sectors ^c	3 115	5 234	2 053	-848	-1 390	-2 411	-4 131	-
Loans received	6 085	9 633	6 675	2 527	2 079	2 126	112	-
Amortization payments	-3 394	-3 761	-4 264	-3 358	-4 128	-5 133	-577	-
Short-term capital (net)	2 572	1 132	3 476	-2 464	-4 844	-1 991	872	-601
Official sector	-31	-6	3 879	-1 390	-1 942	-461	365	...
Commercial banks	608	1 039	-136	-710	1 001	-555	188	...
Other sectors	1 996	99	-267	-364	-3 903	-975	319	...
Errors and omissions (net)	-343	-418	-369	-592	404	-495	-530	-497
Global balance ^d	-3 469	621	-5 195	-1 899	5 375	-523	-3 184	-1 812
Total variation in reserves								
(- sign indicates an increase)	3 322	-747	4 157	1 214	-6 102	1 893	3 934	2 129
Monetary gold	-103	-130	824	-156	-336	-559	205	...
Special Drawing Rights	-1	-68	452	-	-1	-	1	...
IMF reserve position	-103	80	-23	287	-	-	-	...
Foreign exchange assets	3 301	-844	2 245	-714	-7 173	1 901	3 824	...
Other assets	228	215	109	-297	-141	126	21	3 973 ^e
Use made of IMF credit	-	-	550	2 094	1 549	426	-118	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official data.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dIs equal to the total variation in reserves (of opposite sign) plus counterpart items. ^eIncludes accrued interest not paid in 1987.

Table 15

BRAZIL: INTERNATIONAL RESERVES

(Balances in millions of dollars at the end of each year)

	1983	1984	1985	1986 ^a	1987 ^a	Absolute variation			
						1984	1985	1986 ^a	1987 ^a
I. International liquidity ^b	4 563	11 995	10 482	6 760	7 458	7 432	-1 513	-3 722	698
Reserves, excluding gold ^c	4 355	11 508	9 478	5 621	6 025	7 153	-2 030	-3 857	404
Special Drawing Rights	-	-	-	-	...	-	-	-	-
IMF reserve position	-	-	-	-	...	-	-	-	-
Foreign exchange	4 355	11 508	9 478	5 621	6 025	7 153	-2 030	-3 857	404
Gold, national valuation	207	488	1 004	1 139	1 433	281	516	135	294
II. Net reserves of monetary authority ^d									
A. Assets	3 757	11 033	9 273	5 330	6 799	7 276	-1 760	-3 943	1 469
B. Liabilities	7 053	6 791	4 873	5 150	8 575	-262	-1 918	277	3 425
Short-term	4 408	2 606	254	660	4 633	-1 802	-2 352	406	3 973 ^e
Use of IMF credit ^f	2 645	4 185	4 619	4 490	3 942	1 540	434	-129	-548
C. Net reserves (A-B)	-3 296	4 242	4 400	180	-1 776	7 538	158	-4 220	-1 956
D. Counterpart adjustments	-	-	-	-	144	-	-	-	-
E. Net adjusted reserves (C-D) ^g	-3 296	4 242	4 400	180	-1 632	7 538	158	-4 220	-1 812 ^h

Source: Central Bank of Brazil, *Brasil, programa econômico, ajustamento interno e externo*, vol. 16, March 1988.

^aPreliminary figures. ^bData published by the Central Bank of Brazil. ^cData published by the IMF. ^dMethod of calculation employed to determine balance-of-payments performance in reference to the corresponding target agreed upon with the IMF. ^eIncludes accrued interest not paid in 1987. ^fRepurchase commitments. ^gBalance-of-payments result according to the methodology agreed upon with the IMF. ^hIf the accrued interest that was not paid in 1987 is not taken into account, then net adjusted reserves probably increased by US\$2 161 billion.

Table 16

BRAZIL: EXTERNAL DEBT

(Millions of dollars at the end of each year)

	1980	1981	1982	1983	1984	1985	1986 ^a	1987
Total external debt, registered and unregistered	...	71 878	83 205	91 362	99 765	105 126	111 045	121 264
I. Medium- and long-term debt (registered)								
Total	53 848	61 411	70 198	81 319	91 091	95 857	101 759	107 509
Compensatory loans	-	-	544	2 645	3 967	4 608	4 490	...
United States Government	-	-	-	-	-	-	-	...
International Monetary Fund	-	-	544	2 645	3 967	4 608	4 490	...
Other	-	-	-	-	-	-	-	...
Bonds	3 236	2 896	2 610	2 226	1 737	1 919	1 941	...
International agencies	3 485	3 583	3 847	4 326	5 714	7 411	9 059	...
World Bank	2 246	2 264	2 341	2 588	3 905	5 057	6 367	...
Inter-American Development Bank	1 047	1 071	1 203	1 367	1 397	1 927	2 071	...
International Finance Corporation	192	248	301	303	285	279	231	...
Official bilateral agencies	3 485	3 894	4 160	4 855	6 603	7 793	10 225	...
United States Agency for International Development (USAID)	1 050	1 019	989	967	895	886	460	...
Programme loans	512	490	470	449	429	410	388	...
Project loans	538	529	519	518	466	476	460	...
Wheat ^b	514	568	889	1 212	1 375	1 155	696	...
United States Export-Import Bank	931	955	934	981	789	674	633	...
Export-Import Bank of Japan	489	508	477	502	384	349	514	...
Kreditanstalt für Wiederaufbau (FRG)	498	624	613	722	644	796	1 167	...
Other ^c	3	3	220	258	471	2 516	4 341	...
Supplier credits	5 631	5 894	5 983	7 513	6 492	7 427	8 429	...
Financial credits	37 820	44 984	52 918	59 626	66 467	66 195	67 185	...
Resolution No. 63	9 924	13 456	16 146	15 115	13 630	11 379	8 772	...
Law No. 4131	27 887	31 520	36 763	44 511	52 830	54 809	58 413	...
Other credits	171	160	136	128	111	504	30	...
II. Short-term debt (unregistered)								
Total	...	10 467	13 007	10 313	8 674	9 269	9 286	13 755
Traditional operations (net)	...	...	9 292	7 973	8 374	7 285	7 251	...
Commercial lines of credit	...	...	5 034	4 377	3 779	3 126	3 291	...
Brazilian commercial banks	...	...	4 306	3 596	4 595	4 023	4 060	...
Assets	...	...	2 099	1 924	2 274	1 984	1 399	...
Liabilities	...	...	6 405	5 520	6 869	6 007	5 459	...
Special operations	...	...	3 715	2 340	300	...	...	...
Bridging loans	...	...	3 715	-	-	...	...	...
Arrears in debt payment	...	...	-	2 340	-	...	...	3 973
Club of Paris and other transactions	...	...	-	-	300	134	536	...

Source: Central Bank of Brazil, *Brasil, programa econômico, ajustamento interno e externo*, vol. 16, March 1988.^aPreliminary figures. ^bUnited States Law 480, loans from the Canadian Wheat Board and other credits for wheat. ^cMost of this item represents financing which, until 1980, was recorded under the heading "supplier credits".

Table 17

BRAZIL: INDICATORS OF EXTERNAL INDEBTEDNESS

	1982	1983	1984	1985	1986 ^a	1987 ^a
Millions of dollars						
Registered debt service	20 765	20 066	20 123	21 399	23 231	22 822
Amortization payments	8 215	10 403	8 888	10 160	13 176	13 503
Interest payments	12 550	10 263	11 235	11 239	10 055	9 319
Disbursements	14 207	14 518	16 799	12 794	13 963	13 368
Percentages						
Registered external/debt exports of goods and services	319.6	344.4	324.1	345.7	417.9	381.4
Registered external debt services/ exports of goods and services	94.5	87.5	69.4	77.2	95.6	81.0
Net interest/exports of goods and services	51.7	40.4	34.8	34.8	37.4	31.1
Registered debt service/disbursements	146.2	142.4	119.8	164.3	166.4	170.7

Source: ECLAC, using data from the International Monetary Fund and the Central Bank of Brazil.

^aPreliminary figures.

Table 18

BRAZIL: NET PUBLIC EXTERNAL DEBT^a

(Millions of dollars)

	1984	1985	1986	1987 ^b
Total	74 387	80 396	86 051	90 733
Federal government ^c	25 942	27 040	38 427	51 916
States and municipalities	3 787	5 152	5 507	5 401
Autonomous, public and semi-public enterprises	40 840	45 252	40 707	33 416

Source: Central Bank of Brazil, *Brasil, programa econômico, ajustamento interno e externo*, vol. 16, March 1988.^aExcludes State commercial banks and loans in foreign currency by official banks and unregistered debt.^bPreliminary figures.^cIncludes the Central Bank.

Table 19

BRAZIL: DOMESTIC PRICES

	1980	1981	1982	1983	1984	1985	1986	1987
December-to-December variation								
General price index ^a								
Total supply	108.5	92.8	99.2	212.9	225.6	241.4	63.3	412.0
Domestic availability	110.2	95.2	99.7	211.0	223.8	235.1	65.0	415.8
Wholesale price index								
Total supply	118.7	90.5	96.8	238.4	233.2	234.2	59.9	400.7
Agricultural products	138.2	70.7	89.0	335.8	230.5	267.7	86.2	315.0
Industrial products	110.3	99.7	99.8	200.5	233.2	221.1	50.6	430.2
Domestic availability	121.3	94.3	97.7	234.0	230.3	225.7	62.6	407.2
Raw materials	110.7	86.1	81.5	214.4	230.6	198.6	45.9	369.5
Foodstuffs	130.8	85.9	98.9	299.5	223.6	238.1	87.5	324.7
Consumer price index, Rio de Janeiro	86.3	100.6	101.8	177.9	208.7	248.5	63.5	432.3
Food	90.9	96.0	99.9	256.9	224.5	265.9	62.8	393.7
Building costs ^b	113.0	86.1	108.0	148.9	213.4	283.6	81.3	416.6
National consumer price index								
INPC ^c	99.7	93.5	100.3	178.0	209.1	239.1	58.6	396.0
IPC ^d							22.2 ^e	366.0
Variation between annual averages								
General price index								
Total supply	98.4	106.8	94.2	156.3	222.5	229.4	142.6	221.7
Domestic availability	100.2	109.9	95.4	154.5	220.6	225.5	142.3	224.8
Wholesale price index								
Total supply	106.5	108.2	92.0	168.3	236.2	228.9	139.8	208.3
Domestic availability	109.2	113.1	94.0	164.9	232.9	223.4	138.7	177.0
Consumer price index, Rio de Janeiro	82.8	105.6	98.0	142.0	196.7	227.0	143.7	221.7
Building costs ^b	96.9	101.0	98.2	119.6	195.1	241.3	290.5	
National consumer price index								
INPC ^c	...	102.8	97.0	140.7	195.8	218.2	137.4	221.6

Source: Getulio Vargas Foundation, *Conjuntura econômica*, and Central Bank of Brazil, *Boletim mensal*, various issues.

^aThe price index is a weighted average of the indexes of wholesale prices (60%), the cost of living in Rio de Janeiro (30%) and building costs (10%).

^bUp to February 1985, this entry corresponds to the index of building cost in Rio de Janeiro. From February onwards, it refers to building costs in Brazil.

^cThe weightings of the INPC include the expenditures of households with incomes of up to five minimum wages. The data were revised on the basis of the new data collection period.

^dOfficial inflation index from 28 February 1986.

^eFebruary-to-December variation.

Table 20

BRAZIL: AVERAGE WAGES IN INDUSTRY*(Base 1980 = 100)*

	Average nominal wage		Consumer prices		Average real wage	
	Index	Variation	Index	Variation	Index	Variation
Sao Paulo^a						
1981	197.5	97.5	188.6	86.4	104.7	4.7
1982	397.5	101.3	371.1	96.8	107.1	2.3
1983	806.5	102.9	858.9	131.4	93.9	-12.3
1984	2 345.6	190.8	2 428.2	182.7	96.6	2.9
1985	8 658.5	269.1	7 288.3	200.2	118.8	23.0
1986	24 594.5	184.1	16 440.2	125.6	149.6	25.9
1987	74 283.3	202.0	52 763.6	220.9	140.8	-5.9
Rio de Janeiro^b						
1981	223.1	123.1	205.5	105.5	108.6	8.6
1982	494.8	121.8	406.8	98.0	121.6	12.0
1983	1 109.8	124.3	984.5	142.0	112.7	-7.3
1984	3 070.5	176.7	2 922.4	196.8	105.1	-6.7
1985	10 761.3	250.5	9 552.3	226.9	112.7	7.2
1986	28 356.6	163.5	23 283.1	143.7	121.8	8.1
1987	72 313.7	155.0	77 223.7	231.7	93.6	-23.2

Source: Federation of Industries of the State of São Paulo (FIESP); ABDIB.

^aCost-of-living index, city of São Paulo.^bCost-of-living index, city of Rio de Janeiro.

Table 21

BRAZIL: PUBLIC-SECTOR FINANCING REQUIREMENTS

(Billions of cruzados)

	1985	1986	1987
A. Nominal financing requirements	395.5	412.6	3 770.4
Federal government	191.0	248.1	2 112.6
Federal government securities	174.8	193.3	1 691.7
Central Bank credit	-0.6	30.5	401.1
Foreign exchange outlays ^a	12.9	27.0	82.6
Financial system ^b	7.5	-0.1	44.8
External financing ^c	-3.6	-2.6	-107.1
State and municipal governments	92.3	100.7	951.9
State government securities ^d	25.0	27.9	338.9
Central Bank credit	4.7	26.2	171.4
Financial system ^b	57.1	45.3	462.3
External financing ^c	5.5	1.3	-21.1
State enterprises	159.1	130.0	1 199.8
Federal government securities ^e	-7.2	-21.1	-123.3
Central Bank Credit	62.4	117.5	585.3
Financial system ^b	100.6	66.0	891.7
External financing ^c	2.2	-34.0	-174.3
Suppliers	1.1	1.6	20.4
Social security and other agencies	0.7	-11.5	-49.3
Federal government securities ^e	-6.3	-14.2	-75.3
Financial system ^b	7.0	2.7	26.0
Funds and programmes	-47.4	-54.8	-444.4
Central Bank credit	-38.2	-46.3	-373.5
Financial system ^b	-9.7	-13.7	-79.0
External financing ^c	0.5	5.2	8.1
B. Monetary and exchange rate correction	334.4	279.2	3 091.0
C. Actual financing requirements (A-B)	61.1	133.4	679.4
Nominal requirements/gross domestic product, in percentages	28.1	11.2	30.6
Actual requirements/gross domestic product, in percentages	4.3	3.6	5.5

Source: Central Bank of Brazil.

^aIncludes interest on foreign-currency deposits in the Central Bank and on projects and short-term reprogrammed loans.^bOperations outside the Central Bank. Includes the Banco do Brasil and other financial institutions.^cNet result of withdrawal of foreign-currency deposits and refinancing operations less amortization.^dNet debt.^eInvestment in federal government bonds.

Table 22

**BRAZIL: CURRENT INCOME OF THE NATIONAL TREASURY
AND OF STATE AND MUNICIPAL GOVERNMENTS**

	Billions of cruzados			Growth rates		
	1985	1986	1987	1985	1986	1987
Current income of						
National Treasury	134.5	394.0	1 202.4	297.9	192.9	205.2
Taxes	110.1	288.4	782.0	273.2	161.9	171.2
Income tax	52.9	143.5	355.2	340.8	171.3	147.5
Manufactured products	19.2	75.2	240.3	368.3	291.7	219.5
Financial operations	7.2	23.4	63.6	132.3	225.0	171.8
Electrical energy	2.5	8.2	19.1	257.1	228.0	132.9
Lubricants and fuels	1.9	5.0	26.0	216.7	163.2	420.0
Imports	4.7	16.0	39.9	261.5	240.4	149.4
Exports	3.3	1.6	3.2	43.5	-51.5	100.0
Telecommunications	1.8	5.2	...	200.0	188.9	...
Taxes earmarked for						
social programmes	10.2	36.3	78.8	218.8	255.9	117.1
Other taxes	6.3	27.9	29.8	270.6	342.9	6.8
Other current income	24.4	52.0	341.6	467.4	113.1	556.9
Rates	2.2	2.0	5.0	175.0	-9.1	150.0
Miscellaneous income	22.2	50.0	329.1	516.7	125.2	558.2
State sales tax	70.9	222.2	606.9	287.4	213.4	173.1
São Paulo	27.1	87.6	242.6	292.8	223.2	176.9
Rio de Janeiro	6.8	21.8	56.2	257.9	220.6	157.8
Minas Gerais	6.6	20.1	58.8	312.5	204.5	192.5
Southern region ^a	13.5	40.8	109.9	297.1	202.2	169.4
Other states	16.9	51.9	134.9	284.1	207.1	159.9
National Treasury transfers						
for taxes destined for						
states and municipalities	23.7	72.9	196.5	371.4	207.6	169.5

Source: Central Bank of Brazil, *Boletim mensal*, January 1988.

^aComprises the states of Paraná, Santa Catarina and Rio Grande do Sul.

Table 23

BRAZIL: PRIVATE-SECTOR LIQUIDITY

(Percentage variations between end-of-December balances)

	M ₁	M ₂	M ₃	M ₄
1981	87.2	104.7	120.0	...
1982	65.0	83.8	100.9	...
1983	97.4	135.9	170.0	150.5
1984	201.8	256.0	250.3	292.7
1985	304.2	290.0	269.8	303.9
1986	303.8	209.0	137.1	102.7
1987	133.3	163.1	295.4	364.5

Source: Getulio Vargas Foundation, *Conjuntura econômica*, February 1987.Note: M₂ = M₁ + term deposits.M₃ = M₂ + savings deposits.M₄ = M₃ + federal securities outside the Central Bank.

Table 24

BRAZIL: MONETARY BASE AND MEANS OF PAYMENT^a

(Percentage variations)

	Monetary base		Means of payment	
	During the year	Over last 12 months	During the year	Over last 12 months
1984				
March	1.3	70.8	9.6	115.9
June	65.4	144.9	41.1	121.6
September	121.6	191.1	89.7	157.4
December	264.1	264.1	201.9	201.9
1985				
March	13.4	307.7	11.9	208.3
June	40.1	208.4	59.8	241.0
September	102.5	232.7	134.7	273.6
December	257.3	257.3	304.3	304.3
1986				
March	54.0	385.4	87.4	577.0
June	165.1	576.2	198.6	655.3
September	229.6	481.7	236.2	479.0
December	293.5	293.5	303.8	303.8
1987				
March	-5.4	141.6	-8.5	98.6
June	-4.9	41.1	4.6	41.6
September ^b	82.6	116.8	37.0	66.0
December ^b	181.5	181.5	133.3	133.3

Source: Central Bank of Brazil.

^aNew definitions used as a result of the removal of the Banco do Brasil as a monetary authority.^bPreliminary figures.

Table 25

BRAZIL: MONTHLY INTEREST RATES^a*(Percentages)*

	Rates on deposits			Rates on loans		Inflation rate ^b
	Open market operations	Certificates of deposit	Savings deposits	Working capital	Consumer credit	
1984						
I	10.6	12.3	11.2	11.9	10.1	10.7
II	9.4	12.2	9.5	12.5	11.8	9.0
III	11.0	12.5	11.0	13.4	12.4	10.5
IV	10.9	12.6	11.6	14.4	13.5	11.0
1985						
I	14.1	13.2	12.4	14.7	14.6	11.8
II	10.9	12.3	10.9	14.0	14.7	7.6
III	9.5	10.8	8.9	12.5	13.5	10.7
IV	10.8	11.5	11.7	12.8	13.9	12.4
1986						
I	11.1	10.2	9.6	11.1	11.8	9.0
II	1.3	1.7	1.7	2.4	3.1	1.2
III	2.4	2.6	2.0	3.3	4.1	1.5
IV	3.3	5.2	4.7	6.3	7.2	4.0
1987						
January	11.0	14.2	17.4	15.0	16.3	16.8
February	19.6	16.9	20.2	18.8	19.8	13.9
March	12.0	15.5	16.1	20.3	21.7	14.4
April	15.3	16.1	21.6	19.7	20.6	21.0
May	24.6	26.4	24.0	27.3	22.9	23.2
June	18.0	19.4	18.6	20.5	20.0	21.4
July	8.9	9.9	8.9	11.0	15.9	10.1
August	8.1	8.8	8.1	9.8	16.1	5.1
September	8.0	8.9	8.0	10.0	17.4	7.2
October	9.5	9.8	9.7	10.8	17.9	10.9
November	12.9	15.1	13.4	15.8	20.1	14.9
December	14.4	15.7	14.7	16.7	21.9	14.0

Source: ECLAC, on the basis of official data.

^aMonthly average. ^b1985: price index with reference to domestic availability; 1986: expanded national consumer price index (INPC) and consumer price index (IPC) from February on; 1987: IPC until the end of May; INPC from June on.

Table 26

**BRAZIL: MAIN FACTORS AFFECTING
THE MANONETARY BASE^{a,b}**

(Billions of cruzados)

	1986	1987 ^a
A. Credit to the agricultural sector ^c	15.9	187.7
B. Credit to the public sector	118.4	137.3
Banco do Brasil ^d	19.6	86.3
Funds and programmes	6.3	133.1
National Treasury	15.4	112.3
Compulsory loans, rates and other operations ^e	-15.4	22.6
Public debt (net issue of securities)	92.5	-217.1
C. Central Bank credit	5.2	35.0
Notes and coins issued	5.2	-9.8
Other operations ^f	...	44.8
D. External-sector operations	5.4	235.9
E. Financial system deposits ^g	-6.6	-179.3
F. Central Bank resources	-5.0	-90.5
G. Other accounts (net)	0.3	-1.4
Monetary base (A + ... + G)	133.4	324.6
Paper money	65.5	179.0
Bank reserves	68.9	145.6

Source: Central Bank of Brazil, *Informativo mensal*, January 1988, and Getulio Vargas Foundation, *Conjuntura Econômica*, February 1988.

^aPreliminary figures. ^b(+) = expansion; (-) = contraction. ^cBanco do Brasil operations using Central Bank Resources. ^dExcludes the agricultural sector. ^eCompulsory loans (DL 2288), special liabilities less acquisitions of shares of the National Development Fund. ^fGold purchases and loans to small and medium sized enterprises. ^gCompulsory and voluntary reserves on savings and term deposits.

Table 27

**BRAZIL: DEPOSITS AND OTHER DOMESTIC OBLIGATIONS
OF THE FINANCIAL SYSTEM WITH THE PUBLIC**

(Millions of cruzados)

	Year-end balances					Growth rates			
	1983	1984	1985	1986	1987 ^a	1983	1984	1985	1986
Total	38.2	133.2	488.1	1 099.3	3 837	186.7	248.7	266.4	125.2
Demand deposits	7.3	21.6	88.5	367.9	816.4	100.8	195.9	309.7	315.7
Fixed-term deposits	9.6	39.3	149.2	354.7	885.4	189.8	309.4	279.6	137.7
Savings deposits	18.1	62.5	217.6	328.5	2 061.9	217.3	245.3	248.2	51.0
Bills of exchange	3.2	9.8	32.8	48.2	73.6	146.5	206.3	234.7	47.0

Source: Central Bank of Brazil, *Boletim mensal*, January 1988.

^aPreliminary figures.

COLOMBIA

1. Recent economic trends: Introduction and summary

Colombia's economy continued to expand despite the marked drop in international coffee prices, which after the surprising boom of the preceding year, fell to their lowest level in the last 10 years. The gross domestic product grew by over 5% in 1987, reaching a level 27% above that of 1980; as a result, the per capita product has increased by 9% during the decade (see table 1 and figure 1).

The terms of trade recorded a significant loss, which was offset in the external sector by the marked increase in other exports, primarily oil (which exceeded US\$1.3 billion), coal and manufactures. The negative impact on domestic demand was partly mitigated by use of the fund for the stabilization of coffee prices, which had been bolstered the preceding year by retained earnings from high external prices. This compensatory policy had some unfavourable, although limited, effects on the fiscal deficit, on the expansion of the money supply and on the trend in domestic prices.

The volume of exports increased substantially (21%) and was the main factor boosting total demand. Capital formation also turned in a favourable performance, and its 5% growth was primarily due to private investment. For its part, consumption rose at a slower rate.

An increase in production was observed over a wide range of sectors: mining, manufacturing and agriculture grew more rapidly, with particularly significant increases in the production of coffee, oil, coal and in most branches of industry. Within this context, unemployment dropped by nearly two percentage points, although at 12%, the unemployment rate continued to be high, while real wages contracted slightly.

The balance of payments was markedly different from that of the previous year. As has been already mentioned, the abrupt movement of international coffee prices gave rise to great variability in Colombia's external terms of trade, which fell 20% in 1987, after having risen by much the same amount during the previous year. Despite the fact that a good part of this downturn was offset by other imports and that the transfer payments received by the country reached nearly US\$1 billion,¹ there was a US\$50 million deficit on the current account due to the rise in imports and external factor payments, whereas in 1986 this account had shown a surplus of over US\$400 million.

The capital account also yielded a deficit, after having shown capital receipts of close to US\$1 billion in 1986; one factor of significance in this regard was the sharp drop in external loan disbursements, which led to a net amortization of the debt. The abundant gain in reserves of the preceding year thus gave way to a moderate US\$30 million loss. As a result, Colombia's international reserves were equivalent to almost 11 months of imports, despite a transfer of resources abroad of almost US\$2 billion. The dollar-denominated external debt grew as a result of the revaluation of liabilities in other strong currencies, and by the end of the year it represented nearly two and one half times the value of annual exports. Over US\$1 billion in credit, which had been agreed upon with the international banking system in August (the only untied loan to be granted voluntarily by commercial banks to a Latin American country during the debt crisis), was not used during the year due to delays in the processing of the corresponding contracts.

The authorities' monetary and fiscal policies contributed to the strategy, applied over the last two years, of absorbing the positive effects of external factors, which were considered to be of a cyclical nature by Colombian authorities. Thus, in 1986 both policies had been aimed at disengaging the domestic economy from the coffee boom and restricting the impact of the abundant inflow of

¹The majority of these transfer payments involve illegally traded merchandise.

Figure 1
COLOMBIA: MAIN ECONOMIC INDICATORS

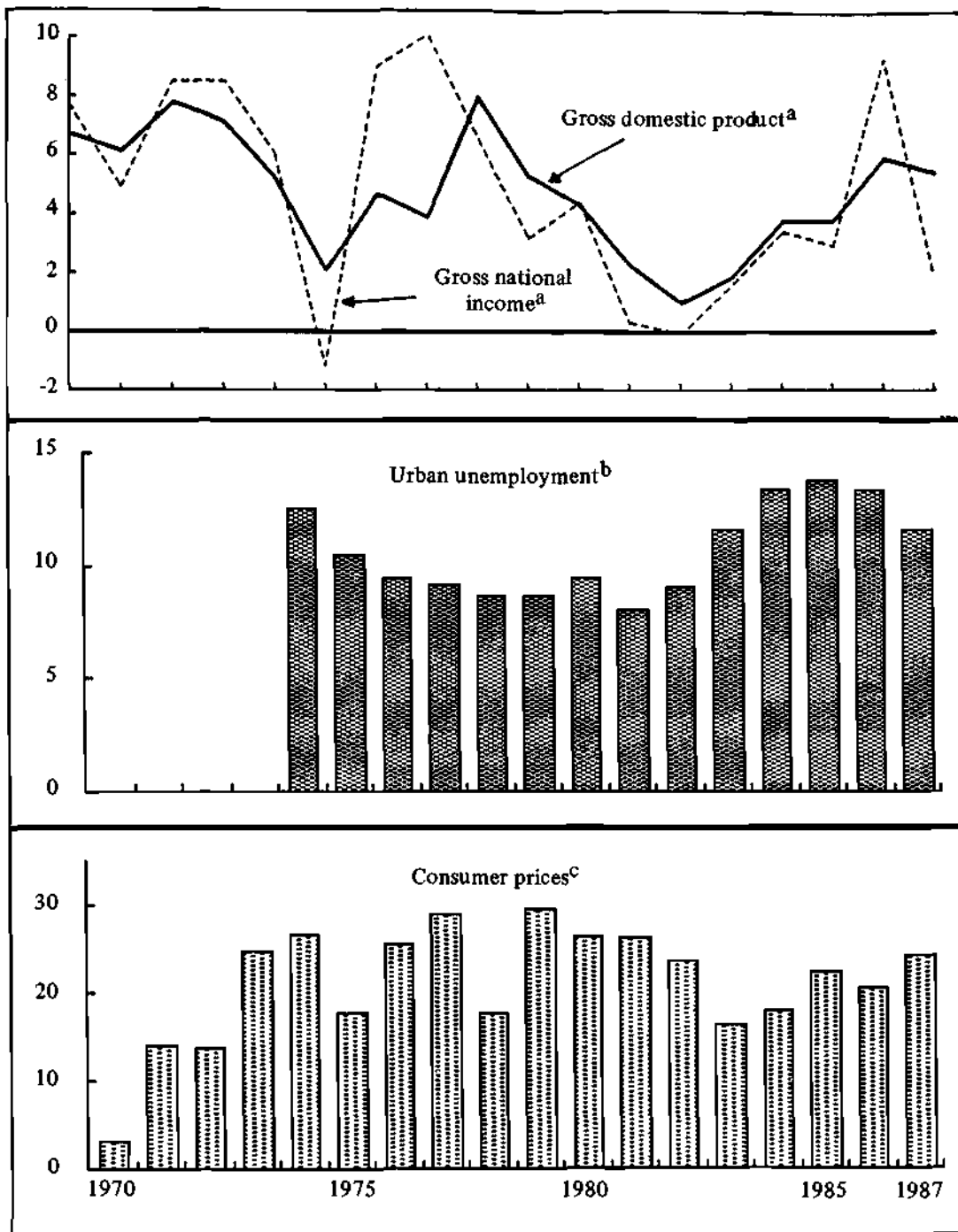
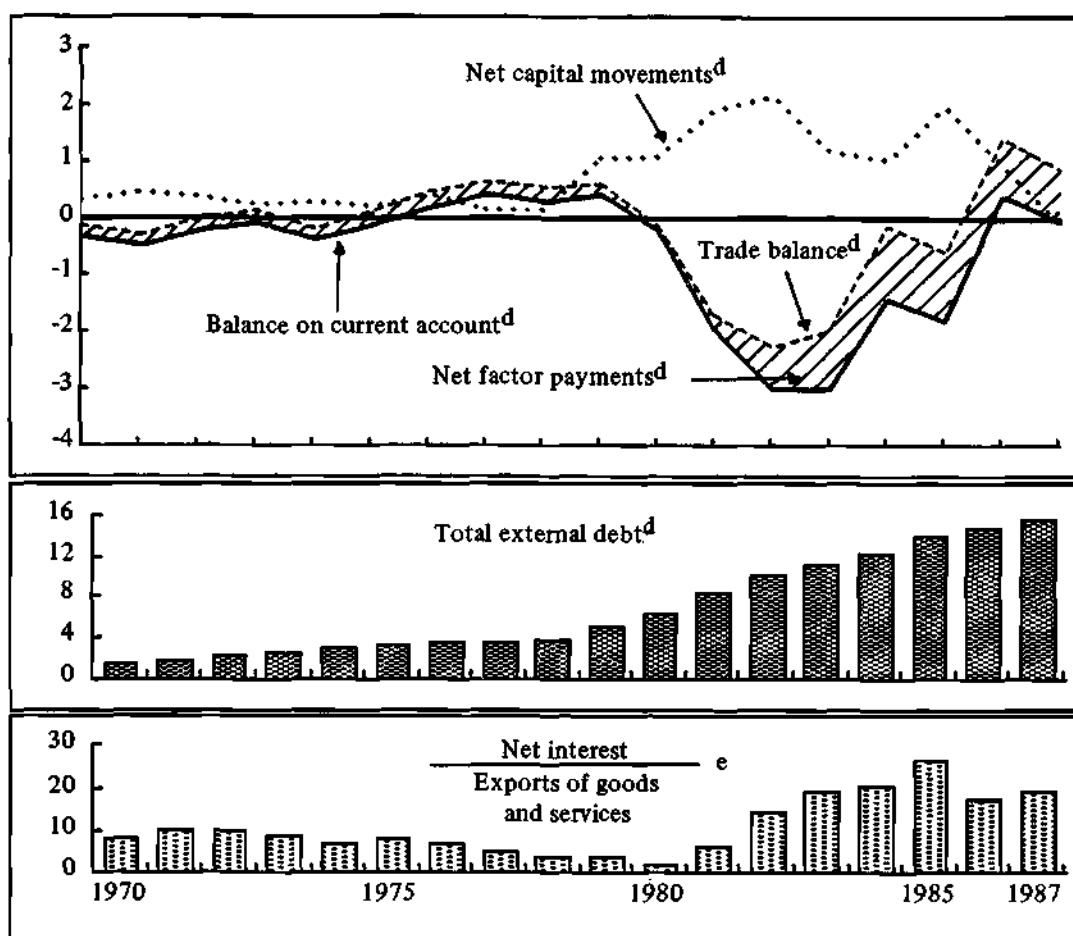


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage annual rate in Bogotá, Barranquilla, Medellín and Cali.

^cPercentage variation from December to December.

^dBillions of dollars.

^ePercentages.

foreign exchange. In 1987, the strategy was reversed, since the compensatory coffee fund was used to artificially boost the price of coffee, thus offsetting its drop in the world market. As a result, the fiscal deficit increased somewhat (around half a point of the product) and the expansion of the money supply was larger than expected. Even so, the financial imbalance of the public sector was still less than 3% of the product, while money grew by 33%, which, although it represented the greatest increase of the decade, was still a moderate one. Real interest rates, for their part, remained positive.

The above situation, combined with some problems in relation to the supply of foodstuffs and the policy of currency devaluations which was aimed at maintaining a high real exchange rate (it increased by nearly 10%), put pressure on domestic prices, which rose by 25% during the year, thus continuing an upward trend that brought the inflation rate back up to its beginning-of-the-decade levels, after the minimum registered in 1983.

2. Recent economic trends

Total supply increased by nearly 6% in 1987. Its components grew at a rapid rate; while the product rose by more than 5%, imports climbed by almost 7%, thereby continuing their recovery from the sharp drop seen in 1985.

The expansion of total demand was supported by an increase in the volume of total exports. The 5% increase in investment, which occurred for the second year in a row, was also significant and was based on the fact that private investment was encouraged by the favourable economic picture, specific tax incentives and selective provisions that facilitated the importation of capital goods. Domestic consumption grew by nearly 3%; the fund for the stabilization of coffee prices made a significant contribution in this respect, since its use cushioned the drop in international prices. Other factors which stimulated expenditure included the increases in export volumes and in the wage bill. Even though there was a slight drop in the real wages of some labour sectors during the second half of the year, there was a concurrent and significant increase in employment levels, and this increased the purchasing power of overall remunerations. Public consumption, for its part, grew even more rapidly, reaching a rate of 4% (see table 2).

The slight recovery made by agriculture in 1986, after the virtual stagnation of the preceding year, strengthened considerably in 1987 as the sector achieved a growth rate of 6%, which was the highest recorded in the present decade (see tables 3 and 4). The increase in coffee production began to show the effects of the process of modernization and renovation of plantations which had been started in previous years (see table 5). Increases in the production of cash crops such as maize, sorghum and barley were attributable to the incentive provided by the government in the form of higher support prices and to its control of external trade, including the illegal components thereof. Rice, potato, peanut and tobacco production also rose sharply. In contrast, smaller harvests were recorded for such staple crops as beans and yucca and for such cash crops as cotton, soya and wheat. In the case of the latter crops, there was also a reduction in the area under cultivation. (see table 4).

The setting of the unit value of coffee had a great impact on the relative pricing system in the agricultural sector, as it has had over the past five years. The trend in international prices made it necessary to adjust domestic prices in October in order to protect the profits of coffee growers; in so doing, the authorities also eliminated the compulsory savings mechanism inherent in the Coffee Savings Bonds, which had been in effect since March 1986, and made use of the stabilization fund, which had increased substantially during the boom of the preceding year. The average price paid in 1987 rose less than inflation did, but it had grown at a much faster rate in 1986 (see table 6 and figure 2).

The situation in the stock-raising subsector was varied. Beef production held steady, as the cattle "offtake" was held back during the first half of the year but greater exports were made to Peru. Poultry production was affected by the reduction in the smuggling of inputs from Venezuela, and this, together with the lower supply of beef, caused the retail prices of both products to rise. The slight increase in milk production was prompted by the lifting of price controls, which allowed prices to regain the ground they had lost in relative terms during the previous two years of controls.

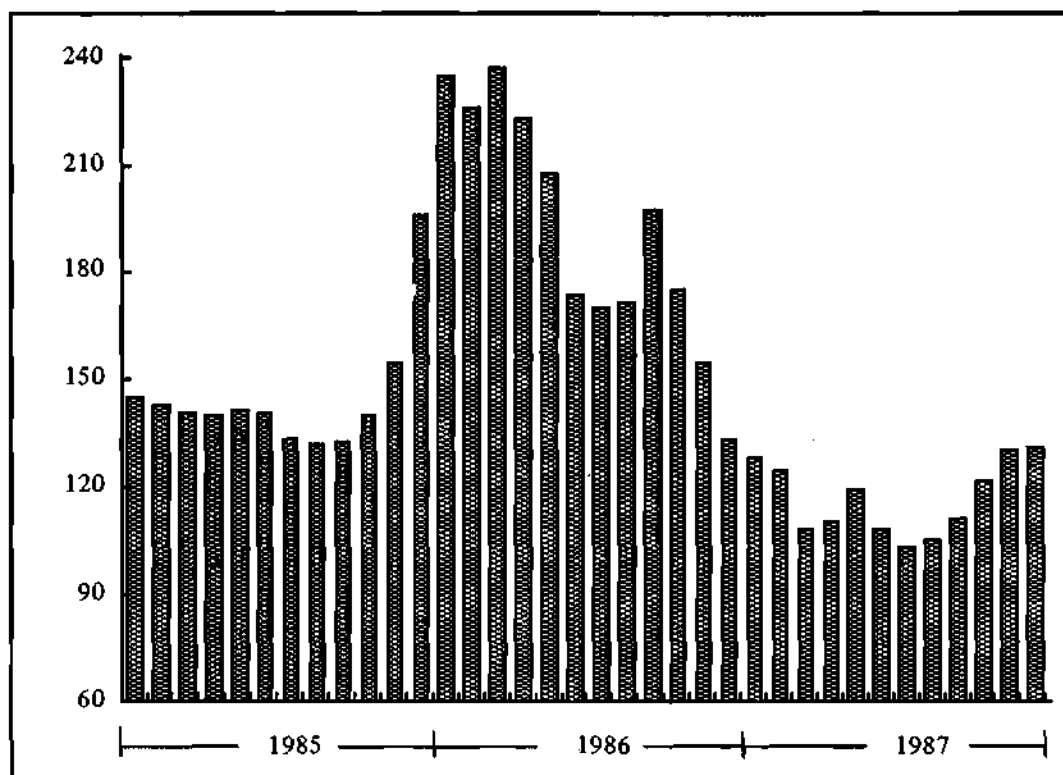
Mining was once again the fastest growing sector in the economy, thanks to the boost it received from petroleum-production activity, which has had a significant injection of investment in the course of the last 10 years. The near normalization of the drilling operations begun the year before in the oil fields located in the eastern plains permitted the production of 141 million barrels, the greatest amount in the country's history. This made it possible to substantially increase the domestic production of petroleum products (although imports were not eliminated due to the rigidities characterizing the refining structure), while export volumes of crude oil and petroleum products soared by 48% (see tables 7 and 8).

In 1987 recoverable reserves exceeded two billion barrels. Exploration activity, in which a total of about US\$600 million had been invested between 1983 and 1987, kept up its rapid pace; to ensure continued activity, new risk contracts were drawn up between ECOPETROL and private operator companies which provided that the national oil company would thereafter share in exploration expenses and assume the corresponding risks and that its proportional share of production would be raised. In addition, an increase in ECOPETROL's exploration activity from four or five wells to 22 or 23 wells per year was projected.² To this end the National Exploration Fund was established using the resources provided by 10% of ECOPETROL exports, in addition to the company's internal funds. All the above was aimed at achieving the drilling of 460 exploratory wells over the next five years, which

²In all, 43 exploratory wells were drilled in 1986, 69 in 1987 and 96 were to be drilled in 1988.

Figure 2
**COLOMBIA: COFFEE PRICES ON THE NEW YORK
 COMMODITIES EXCHANGE^a**

(Dollars per pound)



Source: ECLAC, on the basis of figures from the National Coffee Growers' Federation.

^aVariety designated as "other milds".

would allow the country to become self-sufficient by the turn of the century. Another significant event in the field of hydrocarbons was the commencement of a programme to substitute natural gas for other relatively expensive sources of energy.

One worrisome development, however, was the onslaught of guerrilla attacks on oil pipelines and exploration field camps, which could jeopardize the achievement of projected production and export levels during coming years.

Coal production recorded a further increase, this time of 28%, thereby doubling its 1983 level. This increase was mainly in the extraction of thermal grades of coal for export (see table 7).

Gold mining was affected by security problems in the areas where it was being extracted. The elimination of the subsidy which had previously been provided through the purchases of the Banco de la República seems to have promoted contraband to nearby countries, and the production figures may therefore underestimate actual output.

Manufacturing continued to turn in a very favourable performance, as a result of both the rise in domestic demand and the increase in exports. The greater availability of imported inputs and the widespread existence of idle installed capacity allowed for a vigorous response to the stimulus provided by demand. The intermediate-goods and capital-goods industries, especially those concerned with basic metal processing, grew the most rapidly (see table 9). The production of consumer goods climbed by somewhat over 4%. The beverage, textile and clothing industries were the most dynamic, while coffee processing activity was down. Manufacturing of intermediate goods increased

by 8%, which signified a change of close to 40% over the last four years. Basic industries in the wood, paper, glass, ceramics and base metals subsectors recorded increases of over 10% and, in some cases, over 20%. Finally, the manufacturing of capital goods rose by 11%; while all branches recorded increases, the most noteworthy was transport equipment and materials, which grew by over 20%.

Private housing construction in the large cities, made a strong recovery in the first three quarters (see table 10), despite some problems in relation to financing and the supply of inputs, while public construction contracted due to a decrease in the activity of State enterprises. The sector grew by 2% as a whole, thus overcoming its stagnation of the preceding year.

Total services grew somewhat more slowly than the goods-producing sectors; in general terms, those services more directly linked to the level of economic activity grew by around 5%, while the more household-related services (housing and personal services) and government services grew by an annual rate of 4%.

The growth of production activity in the last two years made it possible for new jobs to be created whereas the preceding four years had been marked by a deterioration in employment levels. The average unemployment rate continued on the downward trend which began in mid-1986, and in December, 1987 it reached 10%, the lowest level recorded since 1983. During the year, a steady reduction in unemployment was observed in Bogotá, Cali and Barranquilla, while in Medellín the unemployment level did not change significantly.

On average, the unemployment rate for 1987 was less than 12%, which was considerably lower than that of the preceding three years. The average rate of participation continued to rise, and the resulting increase in employment during the year amounted to over 5% (see table 11 and figure 3).

3. The external sector

On the whole, the position of the external sector was similar to that of the preceding year, despite the sharp drop in the value of coffee exports, larger interest payments and the decline in the flow of long-term capital. It was therefore possible to avoid the decrease in the country's net international reserves which had been forecast at the beginning of the year and which had served as a basis for the authorities' formulation of their exchange and external trade policies.

The drop in international coffee prices was a decisive factor in the dramatic reduction of the unit value of exports, which gave rise to a deterioration in the purchasing power of exports and in the terms of trade (see table 12).

The policy of periodically devaluing the peso in relation to the dollar at a pace similar to that of inflation was continued; however, since the dollar dropped against other hard currencies on the international market, the effective real exchange rate rose again in 1987 (see table 13), thus improving the competitiveness of manufactured exports, especially those directed to developed countries. Even though Colombia's competitiveness with some Latin American countries decreased, regional sales contributed in large measure to the 20% rise in the value of manufactured exports.

The plunge in international coffee prices, which began in mid-1986, and their continued low level during nearly all of 1987 caused the average price to be 42% below that of 1986. Only in the last quarter of the year, and by virtue of the new International Coffee Agreement, did prices improve slightly, although without reaching the levels recorded prior to the 1986 boom.

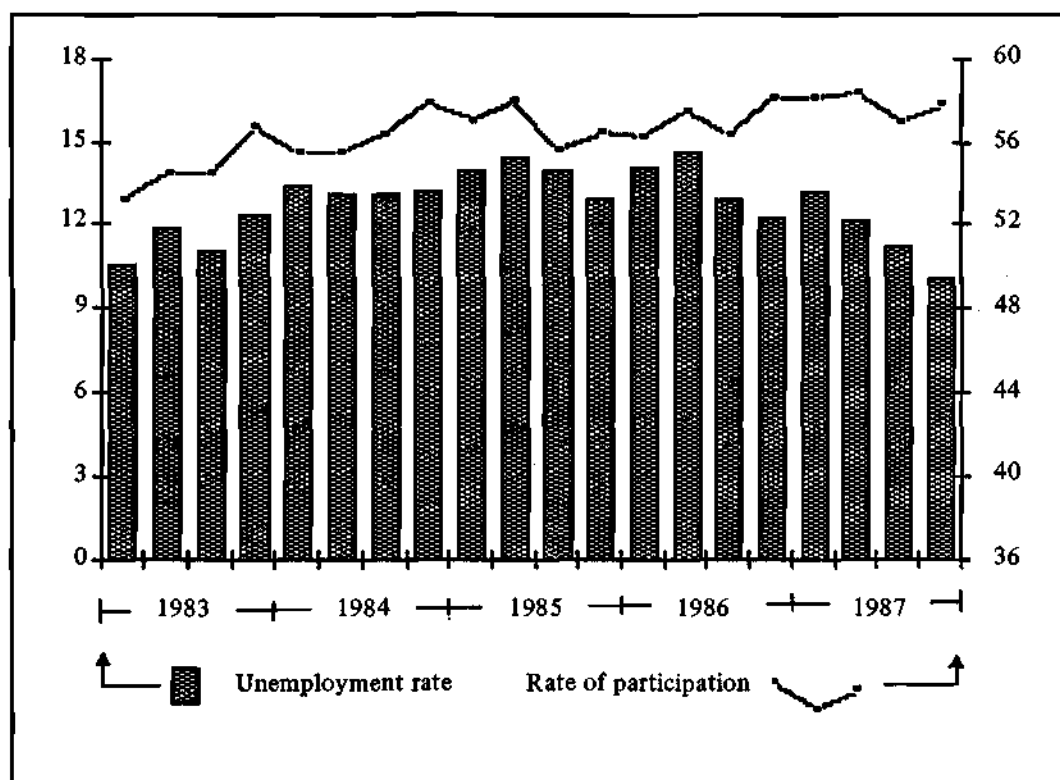
The volume of exports made during the 1987 calendar year contracted slightly; there was also a reduction in the reserve coffee stocks held by the Almacenes Generales de Depósito de Café (ALMACAFE). The reinstatement of the International Coffee Agreement was expected to permit export volumes to return to their previous level of 10 million sacks, and if the minimum price remains at US\$1.20 per pound as proposed by the International Coffee Organization, then future foreign exchange earnings will be similar to their 1987 level, which was somewhat over US\$1.5 billion.

The negative impact of the decline in coffee sales was largely offset by the 39% growth in the value of the country's other exports, which accounted for 70% of the 1987 total, whereas they had represented less than half of the total in 1980. As a consequence of new projects, the volume of exports of oil and petroleum products grew by 48%; at the same time, the recovery of prices on

Figure 3

**COLOMBIA: QUARTERLY EMPLOYMENT AND UNEMPLOYMENT TRENDS
IN THE SEVEN LARGEST CITIES**

(Percentages)



Source: ECLAC, on the basis of figures from the National Bureau of Statistics (DANE).

international markets allowed the value of oil exports to reach US\$1.37 billion, which represented a 117% increase over 1986. This, together with the decrease in imports, gave rise to a favourable oil trade balance for the second consecutive year.

The value of coal exports rose by 25%, even though the increase in the output of the Cerrejón coal fields was partially offset by the drop in international prices. Another event of note was the growth of ferronickel exports, which expanded by 46% due to increases in both price and volume (see table 14).

Imports, for their part, increased by 12% as a result of the reactivation of the economy and greater investment. Imports of capital goods were up sharply, especially those intended for agriculture and industry. Raw materials for industry also grew at a good pace, thanks to a less strict and more flexible application of quantitative controls on private-sector imports. The lower level of external purchases of oil and petroleum products, resulting from increases in domestic production, and of government purchases, due to the completion of various public projects, both helped to relieve the pressure on imports (see table 15). The number of tariff items for which prior import permits were required decreased by 79, with the corresponding items being transferred to the list of products that could be imported without controls, while the number of items whose importation was banned remained the same.

Thus, the merchandise trade balance recorded a surplus of over US\$1.4 billion, which was almost US\$500 million less than that of 1986. Since there was a moderate increase in the deficit in

respect of non-financial services, the trade balance showed a surplus for the second year in a row, but it was slightly lower than US\$900 million, as opposed to US\$1.4 billion in 1986 (see table 16).

The larger outflow of interest payments resulted from the increase in international interest rates and from the revaluation of liabilities denominated in hard currencies other than the dollar. This, together with the country's profit remittances, gave rise to a US\$1.9 billion deficit in financial transactions on the current account. The balance of unrequited private transfer payments, for its part, recorded a net inflow of nearly US\$1 billion, which exceeded that of 1986 by over US\$200 million. The relative size of this item has been increasing over the last few years, and in 1987 it represented an amount equivalent to close to 20% of Colombia's exports of goods; this item includes the income derived from the illegal traffic in narcotics (see table 16).

The result of all the above was a US\$52 million deficit on current account, which marked a return, albeit slight, to the deficits recorded so far in the present decade, following the surplus of over US\$400 million recorded in 1986.

This deterioration in the current account balance was compounded by a dramatic reduction in capital income, which was thus insufficient to balance out amortization payments. Thus, a net repayment of around US\$140 million in long-term capital was made, whereas Colombia had obtained US\$1.66 billion in resources the preceding year. One factor in this outcome was the delay which occurred in the disbursement of a voluntary credit from the international banking system of over US\$1 billion which had been agreed to as a substitute for the rescheduling of payments on the external public debt.

The flow of foreign investment was less than that of the preceding year owing to the completion of mining and energy projects; however, a sharp reduction was recorded in the net outflow of short-term capital. The flow of capital which has been returning to the country since 1985 in response to the favourable economic picture and to the greater profitability of domestic assets continued, but even so, a US\$437 million deficit was recorded, which, together with the meagre balance of long-term capital, resulted in a net capital outflow of US\$70 million.

Hence, the country's reserves shrank by US\$28 million; their year-end level was therefore close to US\$3.5 billion, which was equivalent to more than 10 months of imports of goods (see table 17).

External debt indicators reflected a deterioration with respect to those of 1986, especially as regards the percentage of exports of goods and services required to cover the servicing of the total external debt, which reached 44% (see table 18). Nevertheless, there was a reduction in the level of the country's external debt as valued at constant arbitrage margins, but the balance did not diminish because of the increase caused by the revaluation of the debt denominated in currencies other than the dollar, which accounted for more than 40% of the total debt.

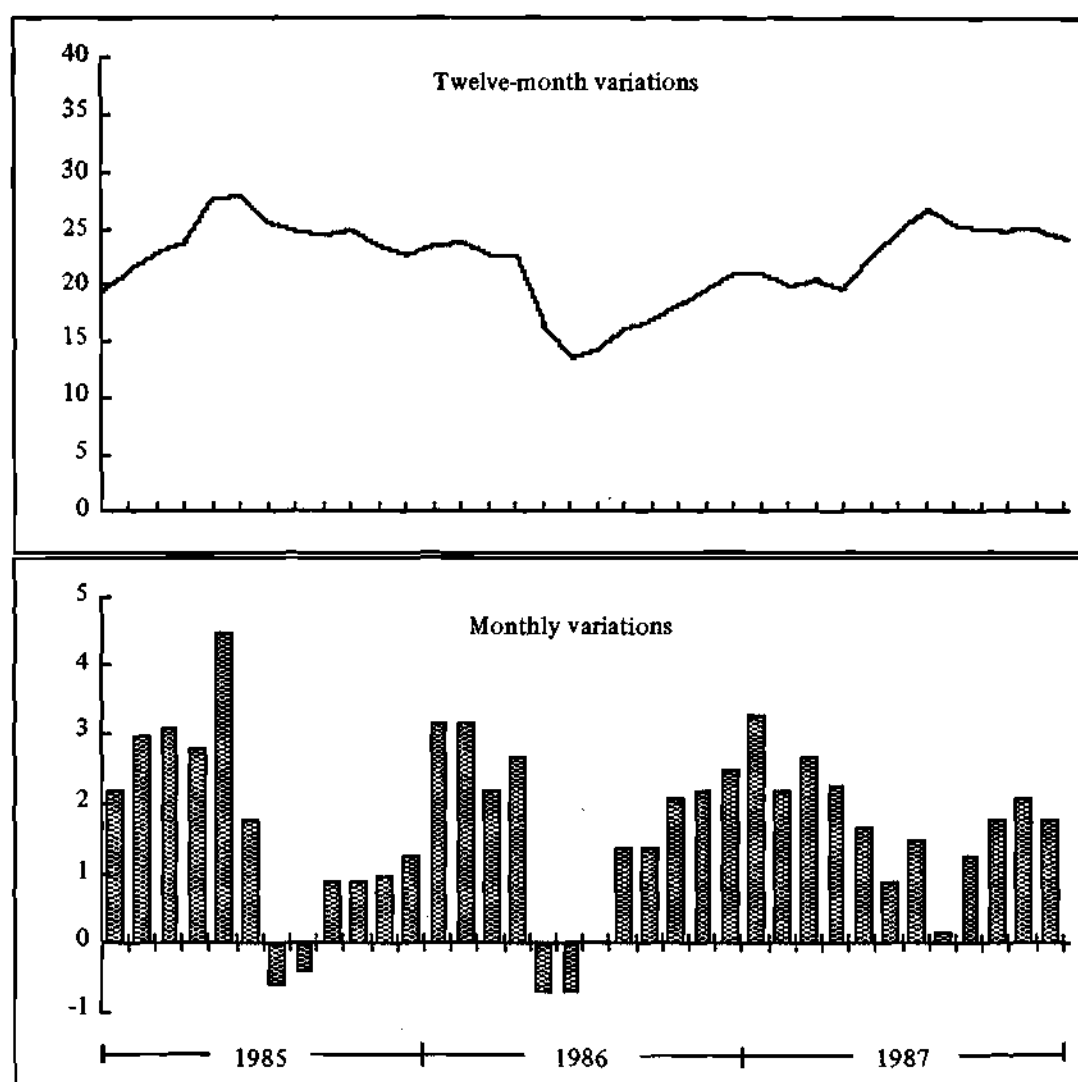
The sharp reduction in net capital income and the higher level of remittances of interest and profits led to a net transfer of resources abroad for the second consecutive year. In 1987, this transfer amounted to close to 30% of the value of exports of goods and services, which was the highest registered to date.

4. Prices and wages

The rise in the inflation rate was due to both demand and cost factors. On the one hand, some temporary problems were encountered in respect of the supply of foodstuffs, while demand was spurred by the growing supply of money arising out of the larger amount of domestic credit that was available due to the use made of the National Coffee Fund. On the other hand, the exchange policy, which was aimed at maintaining external competitiveness, put pressure on domestic costs.

The consumer price index, which went through two clearly differentiated phases in the course of the year, recorded a 24% annual growth rate; this was a higher rate than that corresponding to the preceding five years. Up until the month of July, the 12-month increase in consumer prices amounted to 27%, with food, which rose by 33% during this period, being in the lead (see figure 4). Unfavourable weather conditions, on the other hand, caused a drop in the supply of certain foodstuffs, as did the control of contraband trade in foodstuffs and their inputs and the repercussion on planting decisions of the low relative prices of agricultural products observed in the second half of 1986. Other factors contributing to the rise seen in the price index during the first half of the year were the

Figure 4
COLOMBIA: CONSUMER PRICE INDEX
 (Percentages)



Source: ECLAC, on the basis of official figures.

elimination of price controls on milk and the increase in the unit value of beef. In the latter case, domestic supply was limited by the holding back of the cattle "offtake" and the commencement of exports to Peru. At the same time, there was an increase in its most direct substitute, poultry meat, which was also affected by the increase in the value of inputs.

From August onward, and with prices set at a new level, the supply of foodstuffs improved substantially thanks to the fact that satisfactory harvests were obtained as weather conditions returned to normal. The cattle "offtake" was resumed and a favourable reaction was observed in milk production upon the lifting of price controls. Despite this, in some cases there were supply shortages, however. The upward trend in agricultural prices in the first half of the year began to slacken as of August, but even so, these were the prices that played the greatest part in the annual increase in

inflation, since there were no especially strong upward pressures on prices in the other economic sectors, with the exception of a slight rise between November and December in the rates charged for transport, communications and public services. Another factor working to limit food supplies was the insecurity and the climate of violence prevailing in the frontier agricultural areas.

Wholesale prices increased during the first four months of the year, after which they abated; they then began to rise again in the last quarter, however. They were also affected by the upward trend in the unit value of foodstuffs and agricultural raw materials in which supply problems were encountered, particularly as regards cattle, oilseeds and cotton (see table 19).

Wages trends were uneven. There were real increases in crop-farming and stock-raising, construction and commerce, while there was a slight drop in the industrial sector. The minimum wage dropped by 1% in real terms (see tables 20, 21 and 22).

5. Monetary and fiscal policy

As was already mentioned, the monetary and fiscal sectors were affected by the management of the fund for the stabilization of coffee prices. In effect, the surprising increase in international prices which occurred in 1986 was considered to be a cyclical, short-term phenomenon by the Colombian authorities. For this reason, they attempted to reduce the impact of the international price on the price paid to producers by building up the stabilization fund and by resorting to the mechanism of compulsory saving. This had some contractive effects on monetary and fiscal policy and prevented the real exchange rate from falling.

The plunge in international coffee prices during 1987 changed the above situation. In this case, the Colombian authorities tried to reduce the resulting negative impact, and to this end they set the domestic price at a level higher than that dictated by the trend in the international price. This, in turn, affected the authorities' fiscal and monetary policies, since it increased both fiscal expenditure and, due to the withdrawal of deposits from the National Coffee Fund, the expansion of the money supply.

The pressure exerted on the monetary base was partially offset by the increase in long-term external obligations and by the sale of securities by the Banco de la República. The effectiveness of this step diminished, however, as the year came to a close, when financial institutions turned to the market in search of resources, thereby raising the cost of money. As a result, the monetary base grew by slightly over 31% during the year (see table 23).

As a means of complementing these contractive measures, reserve requirements were raised in June, and, in November, banking institutions were asked to freeze their lending activity, with the exception of development loans, in order to curb the growth of credit to the private sector. As a result, the means of payment (M_1) closed the year with a 33% increase. The growth of quasi-money was lower, and the expanded money supply therefore increased by 28%. Consequently, the speed of monetary circulation once again increased.

Nominal interest rates remained virtually unchanged until the final quarter, when there was a slight increase in response to the pressures exerted by financial institutions on the money market and as a result of greater inflationary expectations based on previous price hikes. In real terms, interest rates dropped until August, when they began to move back up, reaching over 8% by December, which was the lowest real rate recorded since 1980 (see table 24).

Within the sphere of public finances, there was a drop in the public-sector deficit³ to under 2% of the product, whereas it had exceeded 3% in 1986; this decrease in the deficit occurred both in the central government and in the decentralized sector. To this was added the above-mentioned deficit of the National Coffee Fund, which amounted to half a point of the product.

The central government's deficit decreased for the third year in a row, thanks chiefly to further increases in tax revenues. The 13% increase in fiscal revenue in real terms was primarily attributable to the greater income tax receipts derived from the tax reforms of late 1986, which provided for a

³This includes the central government and the main institutions and public-sector enterprises for which the National Planning Department carries out financial monitoring. It does not include the National Coffee Fund, social security agencies or local administrations.

general amnesty, the inclusion of State business enterprises within the tax system, a reduction in the number of taxpayers in the lowest income brackets and a modification of the taxation of limited liability companies and corporations. Excluding the effect of the amnesty, the increase in income tax revenues was similar to the growth of the nominal product.

Indirect taxation also increased in real terms, but the proportion of total tax revenue represented by indirect taxes declined; this was partly due to the fact that both sales taxes and import duties increased. Non-tax revenues doubled, owing primarily to the increase in income from oil royalties and transfers.

Current expenditure rose by 9% in real terms; priority and security services represented a progressively greater share of such spending, as did interest payments on the debt, which accounted for 15% of current expenditure. Given the above, the central government's current savings increased for the third consecutive year and amounted to almost 2% of the gross domestic product.

Investment by the central government, which decreased in real terms, was primarily in agriculture, the construction of waterworks, and transport and communications. As a result of the foregoing, the central government's budget performance rendered a deficit equivalent to less than 1% of the product (see table 25).

The decentralized sector, made up of the main public enterprises and institutions, showed an increase in its own revenue. The policy of transferring investment capacity from this sector to the central government for its subsequent reallocation in accordance with the Social Economic Plan, as well as the burden of debt servicing, exerted heavy pressure on the sector's pre-existing financial imbalances and, consequently, a 19% contraction was recorded in real investment.

This drop in investment was widespread, and included even the Colombian Oil Company (ECOPETROL), which was the only enterprise to generate a surplus (which was transferred to the central government, to the national roadway fund and the fund for the servicing of the external debt (FODEX)) and to decrease its internal debt. The electricity sector was the hardest hit, since there was a 26% reduction in real terms in investment in this area, while interest payments on the external debt took up 46% of its gross operating income; in addition, a large amount of domestic financing was needed to amortize a net sum of US\$100 million of external debt. The case of the Colombian Coal Company (CARBOCOL), was somewhat similar, in that its investment decreased by 6% in real terms and the interest on its external liabilities represented 113% of its gross operating income; since the flow of external credit in respect of this company was just barely positive, its financial deficit was covered by an input of capital from ECOPETROL and by domestic credit.

All together, the public sector reduced its external debt by US\$98 million, as its amortization payments were larger than the disbursements it received for the first time since 1978. As was already explained, the debt balance in dollars increased due to the revaluation of that part of the debt denominated in other currencies. In order to finance this reduction and, at the same time, cover the public-sector deficit, the surplus resources of ECOPETROL and FODEX were used together with, as a last resort, credit from the Banco de la República.

Table 1

COLOMBIA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (index 1980 = 100)	102.3	103.3	105.3	109.3	113.4	120.0	126.6
Gross national income (index 1980 = 100)	100.3	100.1	101.6	105.0	108.1	118.0	120.3
Population (millions of inhabitants)	26.4	26.9	27.5	28.1	28.7	29.3	29.9
Per capita gross domestic product (index 1980 = 100)	100.1	99.0	98.7	100.3	101.9	105.6	109.1
Growth rates							
B. Short-run economic indicators							
Gross domestic product	2.3	1.0	1.9	3.8	3.8	5.9	5.4
Per capita gross domestic product	0.1	-1.1	-0.2	1.6	1.6	3.7	3.3
Gross national income	0.3	-0.1	1.6	3.4	2.9	9.3	1.9
Unemployment rate ^{bc}	8.2	9.2	11.8	13.5	13.9	13.5	11.8
Consumer prices ^d							
December to december	26.7	23.9	16.7	18.3	22.7	20.7	24.6
Variation between annual averages	28.1	24.6	19.8	15.9	24.6	18.6	23.5
Real salaries and wages ^e	1.3	3.4	5.2	7.2	-2.9	4.8	-0.7
Money	21.2	25.4	25.5	23.2	27.5	22.7	32.9
Current government income	18.6	21.2	25.8	26.6	46.1	46.5	40.0
Total government expenditure	31.6	35.5	18.4	34.8	23.8	29.6	30.9
Fiscal deficit/total government expenditure ^b	27.1	34.9	30.8	34.8	23.3	12.1	5.8
Fiscal deficit/gross domestic product	0.5	4.1	3.5	4.2	2.6	1.3	0.6
Current value of exports of goods and services	-19.4	3.2	-14.5	36.5	-13.4	41.7	0.4
Current value of imports of goods and services	10.5	11.3	-14.0	-7.6	-4.2	-2.9	11.4
Terms of trade (goods and services)	-11.4	2.6	3.2	2.1	-10.1	20.7	-20.2
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-1 726	-2 269	-1 970	-149	-617	1 397	861
Net payment of profits and interest	478	954	1 197	1 552	1 653	1 748	1 901
Balance on current account	-1 962	-3 056	-3 022	-1 411	-1 815	413	-52
Balance on capital account	1 941	2 180	1 181	1 038	1 970	946	-70
Variation in net international reserves	220	-719	-1 748	-1 039	162	1 427	-28
Total external debt	8 518	10 269	11 458	12 350	14 063	14 987	15 651

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cAverage annual rate in the seven largest cities.^dNational index for

manual workers.

^eReal average wages of manual workers in manufacturing.

Table 2

COLOMBIA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	110.0	116.1	122.6	116.7	113.0	2.3	2.2	5.6	5.6
Gross domestic product at market prices	113.4	120.0	126.6	100.0	100.0	3.8	3.8	5.9	5.4
Imports of goods and services ^b	89.5	92.5	98.7	16.7	13.0	-6.9	-8.2	3.4	6.7
Total demand	110.0	116.1	122.6	116.7	113.0	2.3	2.2	5.6	5.6
Domestic demand	112.6	116.0	119.6	100.4	94.9	-1.3	3.7	3.0	3.1
Gross domestic investment	99.2	104.3	110.0	18.7	16.2	-5.9	-9.6	5.1	5.4
Gross fixed investment	106.2	114.8	121.1	16.8	16.1	1.2	-5.2	8.1	5.5
Construction	129.4	130.8	133.4	9.1	9.5	4.5	5.8	1.0	2.0
Machinery	79.0	96.1	106.7	7.7	6.5	-3.1	-21.0	21.6	11.1
Changes in stocks	38.0	12.7	12.1	1.9	0.2				
Total consumption	115.7	118.6	121.8	81.7	78.6	-0.2	6.8	2.5	2.7
General government	117.4	119.5	124.3	10.1	9.9	4.1	4.5	1.8	4.0
Private	115.4	118.5	121.5	71.6	68.7	-0.8	7.1	2.7	2.5
Exports of goods and services ^b	93.5	116.9	140.9	16.3	18.2	34.8	-7.6	25.1	20.5

Source: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars which were then converted to constant 1980 values using price indexes calculated by ECLAC for the purpose.

Table 3

**COLOMBIA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	113.4	120.0	126.6	100.0	100.0	3.8	3.8	5.9	5.4
Goods	115.0	124.4	132.0	49.6	51.8	5.2	5.3	8.2	6.1
Agriculture ^b	107.7	111.2	117.7	19.4	18.0	1.8	1.6	3.3	5.8
Mining	206.1	309.4	345.6	2.3	6.2	22.0	38.0	50.1	11.7
Manufacturing	105.9	112.9	119.6	23.3	22.0	6.0	3.0	6.6	5.9
Construction	145.4	145.7	148.8	4.7	5.5	6.4	8.6	0.2	2.1
Basic services	113.1	116.5	122.2	10.2	9.9	2.9	1.3	3.0	4.9
Electricity, gas and water	117.3	124.7	133.2	1.3	1.4	5.1	3.1	6.3	6.8
Transport, storage and communications	112.5	115.3	120.6	8.9	8.5	2.6	1.0	2.5	4.6
Other services	112.2	116.7	122.0	39.9	38.5	1.5	2.2	3.9	4.6
Commerce, restaurants and hotels	106.4	110.9	116.1	13.3	12.2	2.0	1.4	4.2	4.7
Financial institutions, insurance, real estate and business services	113.7	120.4	126.7	13.7	13.7	-2.7	2.0	6.0	5.2
Ownership of dwellings	119.1	124.6	129.6	7.0	7.2	3.5	3.6	4.6	4.0
Community, social and personal services	116.7	118.5	123.0	12.9	12.6	5.7	3.1	1.6	3.8
Government services	120.6	122.7	127.6	7.7	7.8	8.9	4.3	1.7	4.0

Source: ECLAC, on the basis of official figures re-weighted according to the 1980 current price structure. Therefore, the trends shown here do not necessarily coincide with the figures published by the countries based on their calculations using constant prices.

^aPreliminary figures. ^bIncludes stock-raising, forestry and fishing.

Table 4

COLOMBIA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1983	1984	1985	1986	1987 ^d	Growth rates					
							1982	1983	1984	1985	1986	1987 ^d
Index of agricultural production (1980 = 100)	100.0	104.6	107.2	109.2	112.6	119.1	-1.9	2.9	2.5	1.9	3.1	5.8
Production of main crops ^b (thousands of tons)												
Cereals												
Rice	1 798	1 780	1 696	1 798	1 632	1 865	12.9	-11.8	-4.7	6.0	-9.2	14.3
Maize	853	864	864	763	788	860	2.0	-3.8	-	11.7	3.3	9.1
Sorghum	431	595	590	499	600	704	8.3	3.3	-0.8	-15.4	20.2	17.3
Wheat	46	78	59	76	82	74	14.5	9.9	-24.4	28.8	7.9	-9.8
Oilseeds												
Raw cotton	353	130	243	340	338	320	-57.9	-15.6	86.9	39.9	-0.6	-5.3
Soya	155	122	94	104	167	128	11.2	23.2	-23.0	10.6	60.6	-23.4
African palm ^c	70	102	119	125	140	146	6.5	20.0	16.7	5.0	12.0	4.3
Staple foods												
Common beans	82	82	80	99	104	90	-1.4	12.3	-2.4	23.8	5.1	-13.5
Potatoes	1 727	2 187	2 463	1 910	2 091	2 243	2.1	1.8	12.6	-22.5	9.5	7.3
Yucca	2 150	1 555	1 386	1 367	1 335	1 285	-27.8	4.1	-14.2	-1.4	-2.3	-3.7
Other												
Cane sugar ^d	1 189	1 350	1 178	1 367	1 297	1 321	15.9	1.5	-17.2	22.3	-5.1	1.9
Brown cane sugar (panela)	988	780	794	1 161	1 195	1 184	-5.5	-11.8	1.8	46.2	2.9	-0.9
Coffee ^e	931	824	694	676	643	779	-9.9	13.2	-15.8	-2.6	-4.9	21.2
Bananas	910	963	1 104	999	1 037	1 105	3.3	-16.0	14.5	-9.5	3.8	6.6
Tobacco	46	18	35	27	29	35	-2.0	-2.0	-27.1	-22.9	7.4	20.7
Slaughtering (thousands of heads)												
Cattle ^f	1 554	1 484	1 580	1 549	1 511	1 455	-5.2	-4.8	6.5	-2.0	-0.5	-3.7
Pigs	766	709	739	693	751	790	-6.8	8.8	4.2	-6.2	8.4	5.2

Source: Ministry of Agriculture, Banco de la República and the National Coffee-Growers' Federation.

^aPreliminary figures.^bCrop year.^cProduction of oil pulp.^dProduction of raw sugar.^eCoffee-growing

year (1 October to 30 September).

^fDoes not include stock slaughtered for export.

Table 5

COLOMBIA: PHYSICAL INDICATORS IN THE COFFEE SECTOR^a

	Thousands of 60-kg sacks						Growth rates				
	1980	1983	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Production	12 073	13 746	11 562	11 260	10 712	12 974	13.4	-15.9	-2.6	-4.9	21.1
Domestic consumption ^b	1 689	1 645	1 622	1 849	1 969	1 914	2.8	-1.1	14.0	6.5	-2.8
Exports	11 103	9 210	10 198	10 000	11 381	11 283	-4.0	10.7	-1.9	13.8	-0.9

Source: ECLAC, on the basis of figures from the National Coffee-Growers' Federation.

^aPreliminary figures.^bSales to national coffee-roasting enterprises.

Table 6

COLOMBIA: TRENDS IN COFFEE PRICES

	Price		
	External ^a	Export repayment ^b	Domestic ^c
Annual averages			
1980	1.56	252.3	8 663
1981	1.30	188.8	9 453
1982	1.42	208.6	11 171
1983	1.34	195.7	13 010
1984	1.16	206.1	15 429
1985	1.48	210.3	19 509
1986	1.95	308.3	37 507
1987	1.14	178.0	41 815
At the end of the period:			
1985			
March	1.43	206.0	18 100
June	1.43	209.0	19 350
September	1.35	204.0	20 700
December	1.99	315.0	24 375
1986			
March	2.40	370.0	37 875
June	1.77	271.3	39 500
September	2.00	294.4	39 500
December	1.36	232.8	41 250 ^d
1987			
March	1.04	155.83	41 250
June	1.06	171.23	41 250
September	1.12	155.83	41 250
December	1.27	189.02	44 000 ^e

Source: ECLAC, on the basis of statistics supplied by the Banco de la República.

^aDollars per pound. Corresponds to the prevailing price on the New York commodities exchange for the "other milds" variety, plus US\$0.02. ^bMinimum price in dollars per 70-kg sack of green coffee which the exporter must pay into the Banco de la República. ^cPesos per 125-kg load of parchment coffee. ^dIncludes 6 000 pesos in Coffee Savings

Certificates, which were discounted at 70%; the effective price was therefore 39 450 pesos (from 24 October 1986 to 17 October 1987). ^eEffective price, since Coffee Savings Certificates had been eliminated.

Table 7

COLOMBIA: INDICATORS OF MINING PRODUCTION

	1980	1983	1984	1985	1986	1987 ^a	Growth rates				
							1983	1984	1985	1986	1987 ^a
Gross mining product (index: 1980 = 100)	100.0	122.4	149.3	206.1	309.4	345.6	14.2	22.0	38.0	50.1	11.7
Volume of production of the main items (thousands of tons)											
Coal	4 112	5 192	6 637	8 974	10 737	13 739	11.2	27.8	35.2	19.6	28.0
Iron ore	491.3	436.1	443.8	438.7	515.0	606.8	-2.0	1.8	-1.1	17.4	17.8
Nickel ore ^b	-	30.1	35.0	23.4	42.2	42.5 ^a	215.0	16.3	-33.1	80.3	0.7
Petroleum ^c	45.6	55.5	61.2	64.4	110.7	140.6	7.4	10.3	5.2	71.9	27.0
Gold ^d	497.0	426.5	730.7	1 142.4	1 279.3	853.5	-7.2	71.3	56.3	12.0	-33.3
Silver ^d	140.5	132.4	153.4	168.8	186.3	167.3	6.6	15.9	10.0	10.7	-10.4
Platinum ^d	14.3	10.3	10.1	11.7	14.4	22.5	-13.4	-1.9	15.8	23.1	56.3
Salt	887.0	694.0	934.7	730.2	728.5	821.0	16.9	34.7	-21.9	-0.2	12.7

Source: GDP = National Bureau of Statistics (DANE); coal = Colombian Coal Company (CARBOCOL); iron ore = Paz del Río Steel Mills; nickel ore = Colombian Nickel Company (ECONIQUEL); petroleum = Colombian Oil Company (ECOPETROL); gold, silver platinum = Banco de la República, Department of Precious metals; salt = IFI - Concesión Salinas.

^a Preliminary figures.

^b Millions of pounds.

^c Millions of 42-gallon barrels.

^d Thousands of troy ounces.

Table 8

COLOMBIA: PETROLEUM PRODUCTION INDICATORS

	1980	1983	1984	1985	1986	1987	Growth rates				
							1983	1984	1985	1986	1987 ^a
Millions of barrels											
Production											
Extraction of crude oil	45.6	55.5	61.2	64.4	110.7	140.6	7.3	10.3	5.2	71.9	27.0
Output of petroleum products	54.5	64.7	65.7	64.9	69.4	79.2	9.9	1.5	-1.2	6.9	14.1
External Trade											
Imports of crude oil	7.2	13.8	9.8	6.7	-	-	88.9	-29.0	-31.6	-	-
Imports of petroleum products	13.1	7.4	5.7	9.4	7.8	4.8	-32.7	-23.0	64.9	-17.0	-38.5
Exports of crude oil	-	-	-	-	32.0	53.1	-	-	-	-	65.9
Exports of petroleum products	11.2	17.1	17.9	20.1	21.5	25.9	27.6	4.7	12.3	7.0	20.5
Millions of dollars											
Total exports	100	434	445	409	631 ^a	1 370 ^a	103.8	2.5	-8.1	54.3	117.1
Total imports	503	626	450	466	125 ^a	110 ^a	-1.1	-28.1	3.6	-73.2	-12.0
Energy balance	-430	-192	-5	-57	506	1 260					

Source: Banco de la Republica and the Colombian Oil Company (ECOPETROL); value figures correspond to those of the balance of payments.

^aPreliminary figures.

Table 9

COLOMBIA: INDICATORS OF MANUFACTURING PRODUCTION

(Growth rates)

	1981	1982	1983	1984	1985	1986	1987 ^a
Total^b	-2.7	-3.3	-0.5	9.9	2.7	7.1	7.1
Consumer goods	-2.9	-4.8	1.1	9.1	4.9	3.4	4.4
Foodstuffs	-6.4	-1.6	3.1	12.3	8.0	0.9	2.1
Beverages	-2.6	-6.1	6.1	4.4	6.0	2.9	7.2
Tobacco	4.9	-1.5	9.4	13.8	6.6	0.9	-8.7
Textiles	2.3	-6.6	-7.6	12.6	4.6	10.1	8.8
Clothing	1.1	-7.8	-9.4	9.3	-12.2	3.0	9.5
Footwear	2.7	-10.0	1.6	-14.9	-0.3	6.1	-6.5
Wooden furniture	-8.5	-22.3	-14.6	4.6	3.9	-8.4	0.8
Printing, publishing and related activities	-4.6	2.3	-1.4	-10.3	-6.6	6.3	3.6
Miscellaneous industries	-6.6	-26.1	12.3	23.4	5.2	6.5	8.2
Intermediate goods	-2.4	0.6	1.8	7.6	7.7	9.6	8.1
Lumber industry	6.0	6.7	-3.8	1.3	2.4	3.3	23.1
Paper and paper products	-2.1	-4.1	-1.7	12.1	7.5	4.3	11.1
Industrial chemicals	-12.4	0.9	14.3	23.3	9.3	10.9	8.8
Other chemicals	-5.3	6.7	-3.7	7.4	13.6	12.5	6.1
Petroleum products	12.8	0.1	10.0	1.4	5.6	14.4	8.2
Other petroleum and coal products	1.4	5.5	6.5	-0.5	20.6	-1.9	5.4
Rubber products	5.5	-10.1	-6.1	8.6	6.1	-1.2	-6.1
Plastic products	-6.2	-0.1	7.1	-7.1	-3.3	18.1	0.4
Glass and glass products	-3.0	-0.8	-3.5	-4.2	21.2	1.3	17.9
Other non-metal mineral products	-2.1	4.0	-2.7	14.8	-2.6	6.6	3.6
Basic iron and steel industries	3.9	5.5	8.9	-7.8	0.0	7.7	12.9
Basic non-ferrous metals industries	0.2	-9.6	0.4	-8.9	-0.4	19.8	28.0
Pottery, ceramic and porcelain articles	-4.0	-3.4	-9.3	5.2	13.8	15.4	15.7
Leather and leather products	2.9	-7.1	-19.2	2.2	0.4	19.2	5.4
Capital goods	-2.9	-7.3	-9.3	17.1	-13.2	11.6	11.6
Metal products except, machinery	-4.5	-7.4	-0.1	7.0	-2.1	13.1	2.3
Machinery, except electrical appliances	-1.1	-2.6	-9.7	-2.2	-26.2	16.1	13.8
Electrical machinery and appliances	7.2	-2.5	-15.7	0.8	-1.6	5.3	3.7
Transport equipment	-10.9	-15.4	-13.6	55.6	-21.1	12.4	21.5
Professional and scientific equipment	19.3	1.3	-0.7	28.4	9.5	6.2	14.3

Source: ECLAC, National Bureau of Statistics (DANE).

^a Estimates.^b Does not include coffee hulling.

Table 10

COLOMBIA: APPROVED CONSTRUCTION PERMITS

	Thousands of square metres						Growth rates				
	1980	1983	1984	1985	1986 ^a	1987 ^a	1983	1984	1985	1986 ^a	1987 ^a
Total surface area	4 874	7 209	6 724	7 478	7 484	8 843	47.9	-6.7	11.2	0.1	18.2
Ten major cities	4 653	6 310	6 128	6 805	7 251	8 567	22.5	-2.9	11.0	6.6	18.1
Bogotá	1 893	2 711	2 484	2 988	3 257	4 065	16.9	-8.4	20.3	9.0	24.8
Barranquilla	218	424	172	138	157	196	74.1	-59.3	-19.8	13.8	24.8
Bucaramanga	263	128	148	150	157	335	-25.7	15.3	1.8	4.7	113.4
Cali ^b	763	776	1 326	1 074	1 342	1 185	29.7	70.9	-19.0	25.0	-11.7
Cartagena	113	333	170	257	151	270	382.6	-48.9	51.2	-41.2	78.8
Cúcuta	97	84	84	97	91	139	-30.0	-1.2	16.9	-6.2	52.7
Manizales	163	210	136	124	144	110	69.6	-35.3	-8.5	16.1	-23.6
Medellín	1 033	1 474	1 437	1 732	1 717	1 919	7.6	-25.	20.6	-0.9	11.8
Neiva	42	106	118	107	144	192	113.0	11.4	-9.5	34.6	33.3
Pasto	69	64	53	138	91	156	14.7	-16.6	160.3	-34.1	71.4
Total surface area of new housing	3 836	6 033	5 960	6 427	6 336	7 093	36.8	-1.2	7.8	-1.4	11.9
Ten major cities	3 672	5 186	5 386	5 816	6 155	6 883	29.9	3.9	8.0	5.8	11.8
Bogotá	1 566	2 125	2 237	2 594	2 947	3 434	16.7	5.3	15.9	13.6	16.5
Barranquilla	178	383	145	98	115	149	198.4	-63.2	-32.6	17.3	29.6
Bucaramanga	236	85	104	89	136	278	-32.7	22.2	-14.7	52.8	104.4
Cali ^b	563	697	1 201	965	1 210	989	36.6	72.4	-19.7	25.4	-18.3
Cartagena	60	268	161	210	121	202	553.7	-40.3	30.8	-42.4	66.9
Cúcuta	53	65	78	69	77	115	-35.0	20.0	-11.0	11.6	49.4
Manizales	136	171	111	89	128	74	120.0	-35.2	-19.9	43.8	-42.2
Medellín ^c	787	1 248	1 210	1 474	1 234	1 351	13.2	-3.1	21.9	-16.3	9.5
Neiva	39	90	92	96	116	163	165.7	2.5	3.7	20.8	40.5
Pasto	54	54	47	132	71	128	6.9	12.2	177.0	-46.2	80.3

Source: ECLAC, on the basis of data supplied by the National Bureau of Statistics (DANE).

^aPreliminary figures.^bIncludes permits approved in the metropolitan area of Yumbo.^cIncludes permits

approved in the metropolitan areas of Bello, Envigado and Itagüí.

Table 11

COLOMBIA: TRENDS IN EMPLOYMENT AND UNEMPLOYMENT

(Percentages)

	1983	1984	1985	1986	1987	1986				1987			
						March	June	September	December	March	June	September	December
Employment (percentage variation) ^a													
Industry ^b	-6.7	-1.1	-1.6	0.1	3.2	-2.0	-0.5	0.7	1.7	2.9	2.8	3.2	3.4
Manual workers	-8.3	-1.2	-2.1	-0.5	3.2	-2.7	-0.9	0.1	1.5	3.0	3.2	3.5	3.1
Non-manual workers	-3.0	-0.5	-0.1	1.2	2.5	0.0	0.4	2.0	2.5	2.4	1.9	2.4	3.4
Commerce	-4.4	-2.7	-1.5	1.9	1.9	-0.3	1.2	3.3	3.3	2.3	2.0	1.3	
Rates of participation^c	54.7	56.2	56.8	57.0	57.8	56.2	57.4	56.3	58.1	58.1	58.3	57.0	57.8
Unemployment^d	11.8	13.5	13.9	13.5	11.8	14.1	14.7	13.0	12.3	13.3	12.2	11.3	10.2
Bogotá	9.4	12.2	12.8	13.2	11.1	14.3	14.2	12.6	11.5	13.0	12.0	10.5	8.9
Barranquilla	13.8	13.9	15.7	16.4	13.0	16.0	18.1	15.8	15.6	16.1	11.9	13.6	10.2
Medellín	17.0	16.4	16.0	15.2	12.2	15.1	17.2	14.6	14.0	12.4	12.5	11.1	12.9
Cali	11.6	13.3	14.3	12.7	12.4	12.4	13.5	12.6	12.1	13.8	12.4	12.7	10.6
Bucaramanga	...	9.9	10.5	8.1	10.5	9.0	7.8	7.2	8.4	10.9	12.2	9.2	9.7
Manizales	...	14.9	16.4	13.8	13.3	15.6	14.1	14.0	11.6	16.7	13.6	11.2	11.8
Pasto	...	12.9	12.7	12.9	13.9	12.0	15.6	11.7	12.3	11.1	13.7	14.4	16.3

Source: National Bureau of Statistics (DANE).

^aThe percentage variation corresponds to the quarterly average.^bExcludes the hulling of coffee.^cIn the major cities.^dPercentage of the working-age population which is economically active.^eIn the seven largest cities.

Table 12

COLOMBIA: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	-20.8	-1.4	-4.6	43.9	-14.6	47.3	-0.9
Volume	-10.8	-4.9	-2.9	39.0	-9.4	24.7	22.9
Unit value	-11.2	3.7	-1.7	3.5	-5.8	18.1	-19.4
Imports FOB							
Value	10.4	13.3	-16.7	-9.8	-8.8	-5.1	12.1
Volume	5.8	11.7	-8.2	-6.8	-11.4	4.2	6.7
Unit value	4.4	1.4	-9.3	-3.2	3.0	-8.9	5.0
Terms of trade	-15.2	2.1	7.6	5.9	-8.5	28.8	-23.0
Indexes (1980 = 100)							
Purchasing power of exports	75.7	73.4	76.6	112.8	93.6	150.3	142.3
Volume of exports	89.2	84.8	82.3	114.4	103.7	129.3	158.8
Volume of imports	105.8	118.1	108.5	101.1	89.5	93.2	99.5
Terms of trade (FOB/CIF)	84.8	86.6	93.1	98.6	90.3	116.3	89.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 13

COLOMBIA: TRENDS IN EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (pesos per dollar)	Indexes of real effective exchange rates ^a	
		Exports	Imports
1970-1979	29.40	111.8	113.9
1980	47.28	100.0	100.0
1981	54.49	92.2	97.4
1982	64.08	85.9	91.2
1983	78.85	85.4	90.5
1984	100.82	90.4	97.2
1985	142.30	102.6	110.4
1986	194.26	127.8	131.8
1987	242.61	139.8	140.2
1985			
I	118.86	89.5	98.2
II	135.43	96.6	104.5
III	150.28	105.8	113.2
IV	164.68	118.4	125.6
1986			
I	176.88	122.3	128.1
II	188.44	124.5	129.4
III	199.40	130.1	134.0
IV	212.50	135.2	135.8
1987			
I	224.96	134.6	134.2
II	237.33	138.5	138.9
III	249.25	140.4	141.4
IV	258.89	145.8	146.4

Source: ECLAC, on the basis of data supplied by the International Monetary Fund, *International Financial Statistics*.

^aCorresponds to the average of the indexes of the real exchange rate for the peso with respect to the currencies of Colombia's main trading partners, weighted according to the relative significance of exports to those countries or imports from them, as appropriate. From 1970 to 1980, these weightings correspond to the average for the period 1975-1979; from 1981 onward, they correspond to the average for the period 1982-1985. Wholesale price indexes were the indexes used in the calculations whenever possible. For information on the methodology and sources used, see the statistical appendix to the *Economic Survey of Latin America*, 1981.

Table 14

COLOMBIA: EXPORTS OF GOODS

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986 ^a	1987 ^a	1980	1987 ^a	1984	1985	1986 ^a	1987 ^a
Total	4 273	3 650	5 375	5 325	100.0	100.0	43.9	-14.6	47.3	-0.9
Coffee	1 734	1 702	2 736	1 572	51.4	29.5	20.2	-1.8	60.8	-42.5
Other	2 539	1 948	2 639	3 753	48.6	70.5	66.3	-23.3	35.5	42.2
Petroleum and petroleum products	445	409	631	1 370	2.3	25.7	2.5	-8.1	54.3	117.1
Coal	38	126	201	251	0.2	4.7	123.5	231.6	59.5	24.9
Ferronickel	62	55	48	70	-	1.3	34.8	-11.3	-12.7	45.8
Gold	245	365	460	384	7.2	7.2	38.4	49.0	26.0	16.5
Other	1 749	993	1 299	1 678	38.9	31.5	105.0	-43.2	30.8	29.2

Source: Banco de la Republica, balance-of-payments figures.

^aPreliminary figures.

Table 15

COLOMBIA: IMPORTS OF GOODS

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986 ^a	1987 ^a	1980	1987 ^a	1984	1985	1986 ^a	1987 ^a
Total	4 027	3 674	3 485	3 907	100.0	100.0	-9.8	-8.8	-5.1	12.1
Consumer goods	387	345	381	492	13.3	12.6	-20.5	-10.9	10.4	29.1
Intermediate goods	2 231	2 164	1 857	1 959	52.7	50.1	-2.4	-3.1	-14.2	5.5
Petroleum	450	466	125	110	13.1	2.8	-28.1	3.6	-73.2	-12.0
Other	1 781	1 698	1 732	1 849	39.6	47.3	7.3	-4.7	2.0	6.8
Capital goods	1 409	1 165	1 247	1 456	34.0	37.3	-16.7	-17.3	7.0	16.8

Source: Banco de la Republica, balance-of-payments figures.

^aPreliminary figures.

Table 16

COLOMBIA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-207	-1 962	-3 056	-3 022	-1 411	-1 815	413	-52
Trade balance	-126	-1 726	-2 269	-1 970	-149	-617	1 397	861
Exports of goods and services	5 318	4 289	4 424	3 784	5 167	4 476	6 343	6 372
Goods FOB	3 987	3 158	3 113	2 970	4 273	3 650	5 375	5 325
Real services ^b	1 331	1 131	1 309	815	894	825	968	1 047
Transport and insurance	432	480	436	390	395	370	469	495
Travel	478	437	484	235	245	192	232	232
Imports of goods and services	5 444	6 015	6 693	5 754	5 316	5 093	4 946	5 510
Goods FOB	4 283	4 730	5 358	4 464	4 027	3 674	3 485	3 907
Real services ^b	1 161	1 284	1 335	1 290	1 288	1 419	1 461	1 603
Transport and insurance	648	725	794	639	596	574	626	634
Travel	239	287	259	315	329	313	355	354
Factor services	-245	-478	-954	-1 197	-1 552	-1 653	-1 748	-1 901
Profits	-87	-185	-300	-437	-441	-380	-526	-536
Interest received	471	631	498	272	108	91	133	174
Interest paid	-629	-937	-1 147	-1 011	-1 177	-1 293	-1 269	-1427
Other	-1	14	-4	-21	-42	-71	-87	-112
Unrequited private transfer payments	164	242	167	145	289	455	764	988
Balance on capital account	1 115	1 941	2 180	1 181	1 038	1 970	946	-70
Unrequited official transfer payments	1	1	2	19	10	6	11	13
Long-term capital	816	1 641	1 615	1 528	1 821	2 349	2 372	
Direct investment (net)	51	228	337	514	561	1 016	673	
Portfolio investment (net)	-3	-2	-7	-2	-3	-1	39	
Other long-term capital	768	1 416	1 285	1 016	1 264	1 334	1 660	
Official sector ^c	472	650	329	102	355	297	472	
Loans received	639	761	505	290	645	633	899	
Amortization payments	-128	-143	-172	-188	-290	-329	-427	238
Commercial banks ^c	-	-	-	-	-	-	-	
Loans received	-	-	-	-	-	-	-	
Amortization payments	-	-	-	-	-	-	-	
Other sectors ^c	295	766	956	914	909	1 037	1 188	
Loans received	430	1 176	1 208	1 360	1 419	1 539	2 006	
Amortization payments	-135	-410	-252	-446	-510	-502	-818	
Short-term capital (net)	129	397	617	-93	-878	-114	-1 267	-437
Official sector	-59	29	36	90	22	13	54	...
Commercial banks	200	83	119	64	-188	3	-267	...
Other sectors	-13	285	461	-247	-712	-130	-1 054	...
Net errors and omissions	169	-99	-53	-273	84	-273	-171	129
Global balance^d	908	-21	-875	-1 841	-373	154	1 359	-122
Total variation in reserves								
(- sign indicates an increase)	-1 302	-220	719	1 748	1 039	-162	-1 427	28
Monetary gold	-311	-239	-169	-177	651	-170	-63	...
Special Drawing Rights	-14	-31	-40	-19	198	-	-139	...
IMF reserve position	-49	-30	-16	-81	274	-	-	...
Foreign exchange assets	-925	151	936	2 060	-54	-112	-962	...
Other assets	-4	-71	8	-34	-30	120	-263	...
Use made of IMF credit	-	-	-	-	-	-	-	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bIncludes other non-factor services.

^cIncludes net loans granted and other assets and liabilities.

^dEquals the total variation in reserves (of opposite sign) plus counterpart items.

Table 17

COLOMBIA: NET INTERNATIONAL RESERVES^a

	1980	1981	1982	1983	1984	1985	1986	1987
Net international reserves (millions of dollars)	5 416	5 630	4 891	3 079	1 796	2 067	3 478	3 450
Months of imports	15.2	12.0	10.9	8.3	5.3	6.7	12.0	10.6

Source: Banco de la Republica.

^aAt the end of each year.

Table 18

COLOMBIA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Year-end balances, millions of dollars								
Total external debt	6 457	8 518	10 269	11 458	12 350	14 063	14 987	15 651
Public ^b	4 179	5 644	6 819	7 862	8 829	10 648	11 982	12 518
Private	2 278	2 874	3 450	3 596	3 521	3 415	3 005	3 133
Servicing								
Total external debt	962	1 315	1 577	1 647	1 881	2 043	2 353	2 812
Amortization payments	333	378	430	636	704	750	1 084	1 385
Interest ^c	629	937	1 147	1 011	1 177	1 293	1 269	1 427
Public external debt ^b	542	668	936	980	1 182	1 449	1 843	2 411
Amortizations payments	258	266	336	415	562	654	936	1 255
Interest	284	402	600	565	620	795	907	1 156
Percentages								
Total external debt/exports of goods and services	121.4	198.6	232.1	302.8	239.0	314.2	236.3	245.6
Servicing/exports of goods and services	18.1	30.7	35.6	43.5	36.4	45.6	37.1	44.1
Net interest ^d /exports of goods and services	3.0	7.1	14.7	19.5	20.7	26.9	17.9	19.7

Source: ECLAC, on the basis of figures supplied by the Banco de la Republica and the International Monetary Fund.

^aPreliminary figures.^bIncludes private debts guaranteed by the public sector.^cCorresponds to the entry for interest

payments in the current account of the balance of payments.

^dInterest paid minus interest received.

Table 19

COLOMBIA: DOMESTIC PRICE TRENDS

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Variation from December to December								
Consumer price index^b								
Total for manual workers	26.5	26.7	23.9	16.7	18.3	22.7	20.7	24.6
Food	25.4	28.2	24.9	17.2	19.6	27.9	23.3	27.1
Total for non-manual workers	24.5	25.6	24.5	16.5	18.3	21.8	21.6	22.6
Food	26.7	28.8	24.7	17.4	18.6	28.2	24.5	25.9
Wholesale price index								
Average	25.4	23.5	24.6	18.0	21.2	23.0	24.4	25.2
Imported products	23.6	22.4	18.5	23.4	35.6	33.1	21.5	27.0
Domestic products	26.5	25.3	27.0	18.4	19.3	22.6	25.0	25.0
Agricultural products	21.3	29.3	32.3	18.5	17.8	24.4	25.0	21.3
Manufactures	30.0	20.9	20.2	16.1	22.0	20.0	24.6	28.7
Housing construction cost index								
Nationwide	26.9	22.0	21.8	16.2	21.5	20.3	27.4	34.7
Bogotá	27.4	20.3	21.9	17.2	21.1	20.6	29.1	36.5
Variation between annual averages								
Consumer price index^b								
Total for manual workers	27.2	28.1	24.6	19.8	15.9	24.6	18.6	23.5
Food	28.7	28.5	25.4	20.6	15.7	31.5	19.3	26.8
Total for non-manual workers	24.9	26.0	24.5	19.5	16.6	22.5	19.6	22.8
Food	28.9	29.3	25.6	20.2	15.6	29.8	20.5	26.9
Wholesale price index								
Average	24.2	24.1	25.7	21.7	18.3	24.9	22.0	24.9
Imported products	21.8	22.3	20.2	20.4	31.9	33.3	26.8	24.3
Domestic products	25.1	25.2	28.3	23.1	16.5	25.1	21.0	25.4
Agricultural products	23.1	23.2	35.4	24.3	14.2	29.8	18.3	23.5
Manufactures	27.4	25.4	20.8	19.8	19.2	21.1	23.3	26.7
Housing construction cost index								
Nationwide	26.7	24.7	20.6	17.6	21.4	20.4	24.6	30.3
Bogotá	27.4	22.9	19.8	18.7	20.6	21.4	27.0	30.1

Source: National Bureau of Statistics (DANE).

^aPreliminary figures. ^bNational average.

Table 20

COLOMBIA: MINIMUM LEGAL DAILY WAGES

(Averages)

	Current pesos						Real growth rates ^a					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Rural wages ^b	234	292	377	452	560	684	6.1	4.2	9.6	-3.8	4.6	-0.9
Urban sector ^c												
High ^d	247	308	377	452	560	684	4.3	4.1	5.3	-3.8	4.6	-0.9
Low ^e	234	292	377	452	560	684	6.1	4.2	9.6	-3.8	4.6	-0.9

Source: National Bureau of Statistics (DANE).

^aPercentage variation of nominal wages deflated by the consumer price index for manual workers. ^bWages in effect for crop-farming, stock-raising, forestry, hunting and fishing. ^cWages in effect for all other economic activities. ^dIn the departmental capital cities and adjacent municipalities. ^eIn all other municipalities.

Table 21

COLOMBIA: TRENDS IN REAL REMUNERATIONS
IN SOME ECONOMIC SECTORS

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Index (1980 = 100)										
Industry										
Non-manual workers ^a	97.0	98.6	100.0	102.5	105.5	110.2	115.6	113.7	116.4	116.5
Manual workers ^b	93.1	99.2	100.0	101.3	104.7	110.1	118.1	114.6	120.1	119.2
Construction ^c	78.9	89.0	100.0	102.2	102.6	106.9	108.9	105.3	105.3	105.7
Commerce ^d	93.9	97.5	100.0	103.2	108.3	108.1	109.1	104.6	113.1	113.2
Percentage variation										
Industry										
Non-manual workers ^a	4.2	1.6	1.4	2.5	2.9	4.5	4.9	-1.6	2.4	0.1
Manual workers ^b	11.5	6.5	0.8	1.3	3.4	5.2	7.2	-2.9	4.8	-0.7
Construction ^c	14.9	12.8	12.3	2.1	0.4	4.2	1.8	-3.2	-	0.4
Commerce ^d	6.8	3.8	2.6	3.2	4.9	-0.2	0.9	-4.1	8.1	5.9

Source: ECLAC, on the basis of data provided by the National Bureau of Statistics (DANE) and the Colombian Chamber of Construction.

^aAverage remunerations, deflated by the consumer price index for non-manual workers. ^bAverage wages, deflated by the consumer price index for manual workers. ^cAverage cost of labour in Bogotá, deflated by the consumer price index for that city. ^dIndex up to October 1987. The percentage variation corresponds to the same period of the preceding year.

Table 22

COLOMBIA: AVERAGE DAILY WAGES IN AGRICULTURE AND STOCK-RAISING

	Current pesos						Growth rates real ^b					
	1982	1983	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Agriculture												
Cold (upland) areas												
With food	193	261	273	322	406	501	-2.0	2.1	-0.8	-4.8	5.9	3.1
Without food	275	333	392	465	593	732	-2.8	1.1	1.8	-4.7	7.5	3.1
Hot (lowland) areas												
With food	207	249	288	344	430	533	-3.4	0.4	-0.7	-3.9	5.3	3.6
Without food	291	349	408	490	619	770	-3.1	0.1	1.0	-3.7	6.5	3.7
Stock-raising												
Cold (upland) areas												
With food	196	238	277	327	410	510	-2.3	1.4	0.1	-5.3	5.6	3.2
Without food	279	334	394	466	594	742	-2.2	-0.1	1.7	-5.0	7.4	4.1
Hot (lowland) areas												
With food	222	268	311	370	466	576	-3.2	0.8	-0.2	-3.9	5.9	3.4
Without food	310	371	436	522	663	825	-2.8	-0.1	1.7	-4.2	6.9	4.3

Source: ECLAC, on the basis of data supplied by the National Bureau of Statistics (DANE).

^aPreliminary figures. Average of three quarters; percentage variation in respect of the same period of 1986.
variation of nominal wages, deflated by the consumer price index for manual workers.^bPercentage

Table 23

COLOMBIA: TRENDS IN THE MAIN MONETARY INDICATORS

	Year-end balances (billions of pesos)				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Monetary base	327.5	412.2	528.6	695.1	13.5	18.3	25.9	28.2	31.4
Means of payment (M ₁)	503.8	642.6	788.5	1 048.3	25.5	23.2	27.5	22.7	32.9
Currency	209.1	262.8	312.5	413.7	28.5	26.0	25.7	18.9	32.4
Current account deposits	294.7	379.8	476.0	634.6	23.6	21.3	28.9	25.3	33.3
Quasi-money (M ₂)	698.1	969.8	1 287.7	1 609.5	34.5	24.9	38.9	32.8	24.9
Deposits in housing corporations	303.7	436.5	562.6	678.9	42.0	24.9	38.9	28.8	20.6
Savings deposits	127.8	172.0	257.0	331.0	25.7	21.6	34.6	49.4	28.8
Time-deposit certificates	266.6	361.2	468.1	599.6	31.0	35.4	35.5	29.6	28.0
Expanded money supply (M ₁ + M ₂)	1 201.9	1 612.4	2 076.2	2 657.8	30.6	23.8	34.1	28.8	28.0
Central Bank credit (domestic)	428.1	505.2	535.8	674.0	66.2	82.9	18.0	6.1	25.8
Government (net)	220.4	245.3	193.7	255.6	158.1	186.4	11.3	-21.0	32.0
Rest of public sector (net)	-10.9	-16.8	16.4	73.7	...	...	...	...	349.4
Private sector ^b	218.6	276.8	325.7	344.7	42.1	27.3	26.6	17.7	5.8
Sales of securities in financial system									
Total	1 101.3	1 396.1	1 786.8	2 367.2	33.0	22.5	26.7	29.6	32.5
Commercial banks	444.4	556.2	721.9	998.9	31.7	18.9	25.1	30.0	38.3
Savings and housing corporations	324.6	434.4	532.5	663.6	44.5	32.8	33.8	22.6	24.6
Coefficients									
Bank multiplier	1.54	1.56	1.49	1.51					
Speed of circulation (GDP/M ₁)	7.66	7.56	8.02	8.42					

Source: ECLAC, on the basis of statistics from the Banco de la Republica.

^aPreliminary figures. ^bIncludes the financial sector.

Table 24

COLOMBIA: BANK INTEREST RATES^a

	1980	1981	1982	1983	1984	1985	1986	1987
Effective nominal rate	36.9	38.6	35.9	34.2	34.4	35.9	32.1	34.2
Inflation rate ^b	26.5	26.7	23.9	16.7	18.3	22.7	20.7	24.6
Effective real rate	8.2	9.4	9.7	15.0	13.6	10.8	9.4	7.7

Source: Banco de la Republica.

^aCorresponds to time-deposits certificates (CDT).^bAnnual percentage variation of the consumer price index for manual workers.

Table 25

**COLOMBIA: EFFECTIVE INCOME AND EXPENDITURE
OF THE CENTRAL GOVERNMENT**

	Billions of pesos					Growth rates				
	1983	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
1. Current income	238.7	302.7	441.1	655.5	918.8	25.8	26.6	46.1	46.5	40.0
Tax revenue	231.6	292.0	424.5	607.3	824.2	25.3	26.1	45.4	43.1	35.7
Direct	98.6	119.0	158.0	218.2	307.0	48.3	20.7	33.2	38.1	40.7
Income and complementary taxes	98.2	118.6	158.0	218.2	307.0	49.0	20.8	33.2	38.1	40.7
Other	0.4	0.4	-	-	-	-33.0	-	-	-	-
Indirect	133.0	173.0	266.5	389.1	517.2	12.4	30.1	54.0	46.0	32.9
Non-tax revenue	7.1	10.7	16.1	39.0	80.4	44.9	42.3	64.4	134.9	106.1
2. Current expenditure	262.9	362.2	425.1	565.2	763.3	24.6	37.8	17.4	32.9	35.0
Consumption and transfers	242.9	325.4	375.5	497.1	646.3	26.6	34.0	15.4	32.3	30.0
Interest	20.0	36.8	49.6	68.1	117.0	19.6	84.0	34.8	37.3	71.8
External debt	16.9	27.9	36.9	52.3	84.8	10.4	65.1	32.3	41.7	62.1
Domestic debt	3.2	8.9	12.7	15.8	32.2	47.2	178.1	42.7	24.4	103.8
3. Current savings(1-2)	-24.2	-60.1	16.0	90.3	155.5	-	-	-	-	-
4. Capital expenditure ^b	81.8	102.4	150.3	180.3	212.4	2.0	25.2	46.8	20.0	17.8
5. Total expenditure (2+4)	344.7	464.6	575.4	745.5	975.7	18.4	34.8	23.8	29.6	30.9
6. Surplus or deficit (1-5)	-106.0	-161.9	-134.3	-90.0	-56.9	4.4	56.3	-17.4	-33.0	-36.8
7. Financing	106.0	161.9	134.3	90.0	56.9					
External credit	9.4	25.8	48.5	101.8	-17.5					
Domestic credit	125.9	114.4	114.3	-11.8	74.4					
Variation of reserves										
(- sign indicates increase)	-29.3	21.7	-28.5							
Coefficients (percentages)										
Current savings/capital expenditure	-29.6	-58.7	10.6	50.1	73.2					
Deficit (or surplus)/total expenditure	30.8	34.8	23.3	12.1	5.8					
Deficit (or surplus)/GDP	3.5	4.2	2.6	1.3	0.6					

Source: ECLAC, on the basis of data supplied by the Banco de la Republica and the General Treasury of the Republic.

^aPreliminary figures. ^bIncludes net loans to non-financial public agencies.

COSTA RICA

1. Recent economic trends: Introduction and summary

In 1987 the Costa Rican economy expanded by almost 4%, which was somewhat less than the previous year, while, as a result of a sharp deterioration in the terms of trade, gross national income remained unchanged. Inflation continued almost without variation and the fiscal deficit went down significantly. External imbalances became more severe due to the persistence of the deficit in the trade balance, and this led to the suspension of a large part of the country's debt service payments (see table 1 and figure 1).

The combination of less growth in public spending and higher taxation, together with the further rise in the price of petroleum and the fall in the international coffee prices, contributed to the economy's loss of dynamism. Nevertheless, thanks to an expansion of private-sector spending on fixed capital and consumption and to the greater volume of non-traditional exports, all the economic sectors, except agriculture, expanded. Furthermore, the unemployment rate fell to the lowest level of the decade as a result of a considerable increase in housing construction, investments in non-traditional agriculture, an increase in commercial and financial services, and an expansion of informal activities.

Gross fixed investment, which was boosted by the boom in private construction once again grew by a little more than 8%, but its significance with respect to the product was considerably less than in 1980 (20% versus 24%). Private consumption continued its brisk recovery rising by almost 9%, and thus verged on the level registered at the beginning of the 1980s.

The improvement in tax receipts resulted in an increase in fiscal revenue which, since it was coupled with the control of spending, led to a decrease in both the absolute amount and the relative size of the fiscal deficit.

The government continued to apply a policy designed to liberalize the economy with a view to improving the market's allocation of resources. This was reflected in a relaxation of financial-sector regulations and the elimination of subsidies and other forms of State interference. A policy aimed at opening up trade was also applied which included the gradual reduction of tariffs and tariff surcharges. These policies were in line with the commitments made to international organizations with a view to renegotiating the foreign debt and achieving a resumption of external capital flows.

The effort made to fulfil the various conditions stipulated in these agreements frustrated the expectations of some social groups to which the State has given a significant amount of assistance. Within this framework, the monetary policy applied by the authorities during the major part of the year was directed towards controlling the increases in the amount of money and credit caused by changes and disturbances in the financial sector. The Central Bank's considerable losses continued to have a very strong impact on issues. The increase in the money supply was mainly attributable to the monetization of resources made available by the United States Agency for the International Development (USAID) to the private sector. As for the government's exchange policy, the high real price of foreign exchange was maintained, and the tariff which had been introduced the previous year came into full force; in general, these new tariff levels provided 10% less nominal protection than those which preceded them.

In spite of the fact that the money supply (M_1) expanded by only 6% during the year, the average increase in the consumer price index went up from 12% to 17%; this was largely due to the elimination of the series of subsidies for basic consumer products and especially to the large monetary issues of 1986.

The service on the foreign debt continued to represent an obstacle to the maintenance of stable economic growth. In 1987 the rounds of negotiations held with private banks and the Paris Club came to a standstill as the parties awaited the results of the negotiations taking place with international

Figure 1
COSTA RICA: MAIN ECONOMIC INDICATORS

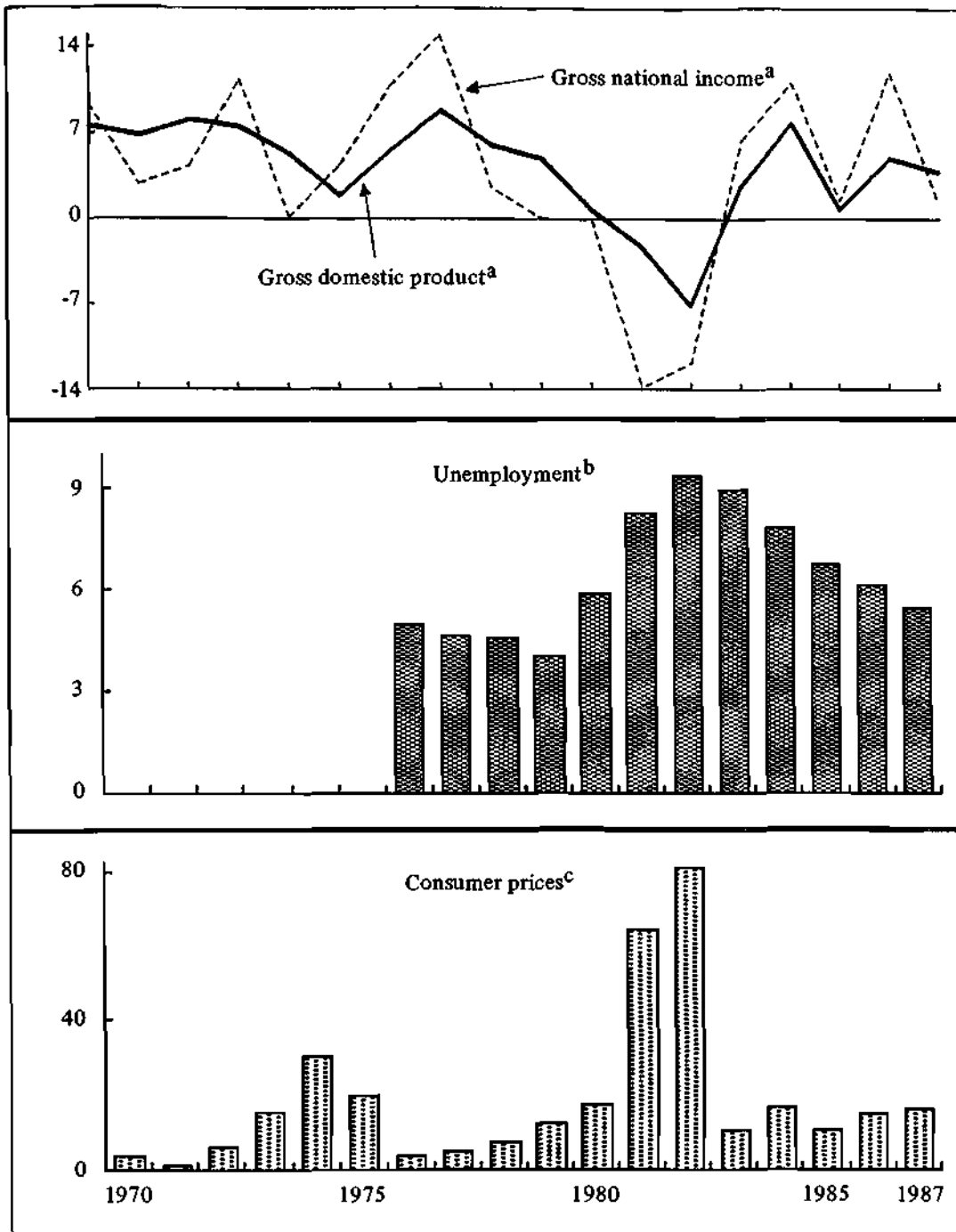
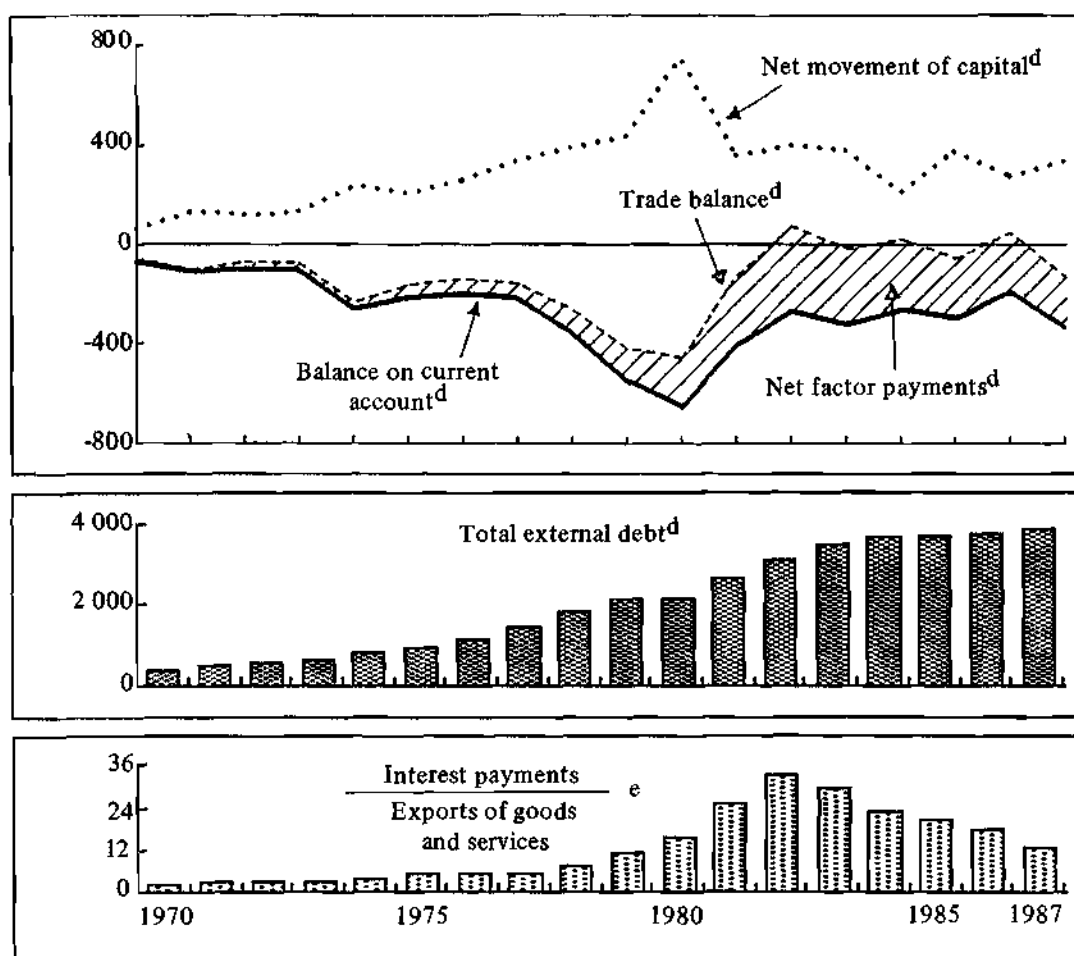


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^a Annual growth rate.

^b Average annual rate nationwide.

^c Percentage variation from

December to December.

^d Millions of dollars.

^e Percentages.

financial agencies. In October 1987 an agreement was signed with the World Bank concerning the second phase of the country's structural adjustment. This agreement, covering a period of 18 months, involved a credit of US\$100 million and will probably also facilitate access to fresh resources. Simultaneously, agreements were reached with the IDB concerning the provision of financial support for, in particular, the housing sector and private economic activity.

2. Trends in economic activity

a) Total supply and demand

For the second consecutive year total supply increased by more than 6%, thanks in part to the growth of the gross domestic product—which, although moderate, was nonetheless greater than the increase in the population—but mainly to the continuing strong recovery of imports of goods and services. Imports were stimulated, above all, by the further rapid growth of exports of new products for which imported inputs are required and by the great availability of consumer credit.

Unlike the situation in 1986, the expansion of total demand was not based on the stimulus of domestic demand —whose rate of increase dropped sharply— but rather on the substantial growth in exports of goods and services (see table 2).

Private consumption continued to make a strong comeback (9%), almost reaching its 1980 level, thanks to an increase in the number of wage-earners, the export earnings from foreign sales of new products, and the considerable increase in credit for the private sector, some of which was used to purchase durable goods.

Gross fixed investment continued to be very dynamic, growing for the second year in a row at a rate of more than 8%, as a result of special programmes designed to encourage such investment. This was reflected in a substantial increase in private capital formation which offset the fall in public investment and the decline in inventories. Thus, while residential construction was boosted, public investment was curbed by the smaller supply of external credits and by the efforts made to reduce the fiscal deficit.

Lastly, government consumption increased only slightly, in keeping with the government's policy of controlling public finances.

b) *The main sectors*

As a result of the poor performance turned in by agriculture, the goods-producing sectors of the economy grew less than services did (see table 3).

i) *Agriculture.* Among the factors negatively affecting this sector's performance —a fall of 2.5% in its product— were the continuing drought and the termination of some subsidies and other forms of State support for producers. During 1987 the support price for yellow maize which was the last remaining subsidy, was eliminated. The end prices of some products such as rice and maize continued to be regulated, but the tendency was to bring them into line with international prices (see table 4).

Subsector trends varied considerably. Crop-farming activity grew by around 6%, while stock-raising dropped by 25%, resulting in a cumulative decrease of more than 35% during the past three years. There was also a very steep drop in forestry production, which had been gaining a great deal of ground in preceding years. In contrast, fishery activity (the subsector which has grown the most in the 1980s) continued to expand rapidly, although its rate of increase has tended to slow down.

Among export crops, the coffee harvest reached an unprecedented level and the 16% increase amply offset the decreases of the two previous years. This was attributed to the early ripening of the crop and to increases in productivity resulting from the control of plant rust. Banana production was up by 5% and thus came close to its maximum historical levels, thanks to increases in both yields and the land area under cultivation; in addition, the taxes on exports of this product have gone down from US\$0.70 to US\$0.22 per box between the end of 1985 and the end of 1987. Sugar-cane production dropped by 2% as a result of a further decrease in the amount of land devoted to this crop owing to expectations of a fall in the international price and the reduction of the United States import quota. Lastly, cocoa production expanded by 12% as a consequence of increases in cultivated area and thanks to the technical assistance provided by government agencies.

As for the production of basic grains, rice output declined by 14% due to the drought and to the policy of promoting internationally competitive crops, which resulted in a decrease in State support for rice production. This policy was also the main cause of the steep drop in sorghum production, which in previous years had made notable progress. On the other hand, the bean harvest once again exhibited the dynamism that has characterized it for some time now, and was almost three times the size of the 1980 harvest.

The sharp deterioration in stock-raising was basically the result of a further reduction in the cattle herd, which led to a ban on meat exports midway through the year. Pork production also declined. On the other hand, poultry production increased considerably, thanks to the incentives provided for its use by consumers as a substitute for other products.

ii) *Manufacturing.* Although manufacturing activity has been growing since 1983, its expansion has been very unstable, with a year of great dynamism often being followed by a considerable slowdown in the next. Thus, after having shown a growth rate of more than 7% in 1986, the increase in the product of this sector was less than 6% in 1987. The demand for manufactured products generated by markets outside the region amply offset the stagnation of exports to the Central

American Common Market. The branches of industry most closely related to the Central American market, such as textiles, leather and footwear—which have not been able to redirect their output—continued to decline in importance. Indeed, the above-mentioned industrial subsector contracted by 5%, for a cumulative decrease of 17% over the past four years (see table 5).

The metal manufactures and machinery, whose expansion has been based on increases in its exports to countries outside the Central American Common Market (especially to Panama), once again turned in an outstanding performance, as it has since 1986. Nevertheless, this activity is still far behind the production levels it reached at the beginning of the decade.

Among the industries oriented mainly towards the production of consumer goods, the furniture and wood industry occupied a prominent position. This subsector, which was one of the most hard-hit by the crisis of the early 1980s, has now, thanks to the greater demand for durable goods and the upturn in construction, started on the road to recovery (14%). The category of food, beverages and tobacco, which accounts for a large part of Costa Rica's manufactures, grew by almost 6%, thereby doubling its rate of the year before, partly because of the influence of profits from coffee sales.

Among intermediate goods, non-metallic minerals, whose production was stimulated by the increase in construction, expanded by 13%. Paper and paper products also showed an increase after several years of decreases or stagnation.

Employment generated by manufacturing activity went up very slightly (1%), and its rate of increase was thus far below those of the work force and the sectoral product—a fact which reflects the extent of the adjustments being made by the sector in order to increase its efficiency and competitiveness.

iii) *Construction.* In spite of the low level of public investment (due to the completion of major infrastructure works), budgetary restrictions and the smaller inflow of external credits, construction increased by 4%, thanks to the strong growth (20%) of private-sector building activity. Government measures for facilitating the granting of loans and the greater availability of credits for housing contributed to this rise. AID contributions to the Housing Bank and to the credit system of the National Institute for Housing and Urbanization (INVU) played a highly significant role in this connection, as did the execution of a Costa Rican-Canadian rural housing programme.

The surface area for which construction permits were issued rose by more than 13%, and cement production and sales for domestic use both expanded by around 8%; these indicators thus provided confirmation of the good performance of the sector (see table 6).

iv) *Electricity.* Electrical power generation expanded by more than 16% and thereby recorded a record high. Nevertheless, this sector experienced serious difficulties because of the drought, which lowered reservoir levels and made it necessary to rely more heavily on high-cost thermoelectrical production.

The Ventanas-Garita hydroelectrical project (97 000 kW) went into operation during the second half of 1987, together with the associated transmission works, which will alleviate the shortage of installed capacity faced by the Costa Rican Electricity Institute.

Domestic power consumption once again rose substantially, and at a considerably greater rate than in 1986, with a cumulative increase over the past four years of nearly 35% (see table 7). Apparently, residential consumption increased the most, perhaps as a result of the low rates charged and the extensive rural interconnection programmes in existence. To cover its needs, Costa Rica once again had to increase substantially its purchases of electricity from Honduras.

c) *Employment and unemployment*

According to official statistics, between July 1986 and July 1987 almost 60 000 new jobs were created. This figure was somewhat higher than the growth of the labour force. The labour force increased more rapidly than in previous years owing to the considerable extent of immigration from other Central American countries, which was reflected in the rise of the participation rate. The open unemployment rate went down for the fifth consecutive year, reaching 5.5%—the lowest level to be recorded so far in the decade (see table 8).

Unemployment continued to decline in both rural and urban areas. This improvement in the labour market can be attributed to the establishment of new firms producing for export outside the region, as well as to the dynamism of private construction, commerce and finance, and even, to some extent, to a slight increase in the number of public sector employees. The decrease in rural

unemployment was associated with the increased production of highly labour-intensive non-traditional agricultural inputs. A programme aimed at encouraging cocoa and banana production and the improvements seen in some crops such as coffee and African palm also contributed to this decrease. The above factors gave rise to a shortage of unskilled labour in some areas.

Finally, it should be noted that the calculation of official employment figures was switched from a four-monthly to an annual basis as part of the effort being made to reduce public spending. It was not possible, therefore, to continue following seasonal fluctuations.

3. The external sector

a) *Introduction*

As regards external trade, recorded a moderate increase in foreign exchange earnings from exports and a sharp rise in the value of imports. The terms of trade for goods contracted by 11% as a result of the steep drop—from almost US\$200 to US\$120 per quintal—in coffee prices, as well as the increase in the price of petroleum. International monetary reserves—which had been making a recovery during the two preceding years—decreased, in spite of the delay in servicing the external debt.

b) *The exchange rate*

In order to support the growth of exports, the price of the dollar was kept high. The real effective exchange rate for exports continued to follow the upward trend which had begun in 1985 and was almost 7% higher than it had been the year before (see table 9).

The competitiveness of the colón with respect to the dollar improved somewhat (4%), since the rate of domestic depreciation (18% in nominal terms) was greater than that of the relationship between domestic prices and United States prices. The colón also became more competitive with respect to European currencies and the Japanese yen as a result of the devaluation of the dollar against these currencies.

c) *Merchandise trade*

In spite of the fact that the volume of merchandise exports increased by 10%, their value went up by just 3%, which was only one-fifth of the rate recorded the preceding year, because their unit value fell by 7% (see table 10).

The inventories which producers had built up during 1986 as they awaited better prices and a more than 15% increase in the harvest permitted an increase of 40% in the volume of coffee exports, but the total value of these sales shrank by 13%, which was equivalent to a reduction of almost US\$50 million. In October the quota system was reintroduced in an effort to stabilize the price of this product before the end of the year. The quota was lowered on two occasions in order to maintain the agreed price of US\$120 per quintal. Large-scale consumers rejected the effort of the International Coffee Organization to make further cuts in the quota (see table 11).

Banana exports continued to recover from the drastic drop of 1985, thanks to the upturn in production and the persistence of a moderate upward trend in prices. The decline in the livestock herd caused a substantial decrease in meat exports, which prevented exporters from taking advantage of the rise in international prices. The value of sugar exports climbed by more than 50%, since the price of sugar rose and inventories were sold off in order to compensate for the smaller harvest (see table 12).

As in previous years, non-traditional exports to countries outside the region went up considerably. Strong governmental support for the promotion of such exports contributed to the increase of almost 25% in these sales, which amounted to some US\$365 million and thereby exceeded those of coffee. As a result, this became the leading category of exports.

Tax Savings Certificates (CATS) representing 15% of the FOB value of exports, which are negotiable on the stock market, continued to be issued. Flower exporters declined this support so that the United States would not restrict their access to its market on the grounds that these exports were subsidized.

Merchandise imports increased at a much higher rate than exports —by more than US\$200 million during the year— in spite of the fact that in the second half of the year some limitations on foreign purchases were reintroduced. Preliminary figures suggest that the bulk of the increase in imports was accounted for by purchases of durable consumer goods (which were encouraged by the halving of customs duties on vehicles of less than 1 300 cubic centimetres), raw materials and intermediate and capital goods (see table 13).

Trade with Central America stabilized following several years of marked declines. Exports did not grow in current terms, which, considering their previous trend and the persistence of the large balances owed by some of the member countries, could be interpreted as a promising sign. Only a small fraction of the idle capacity which has been created by the weakening of subregional trade has been successfully shifted to production for other parts of the world.

d) *Trade in services and factor payments*

Trade in real services improved, thanks to the contribution made by the inbound assembly industry, which has been accounting for an increasingly greater amount of the value added by the country. In addition, income from tourism once again increased, although it still has not regained its historical levels.

The negative balance in factor services decreased slightly as a result of the reduction in the actual amount of interest payments made on the public external debt owed to commercial banks. While awaiting a renegotiation of the debt, the country disbursed only some US\$4 million per month, which was a little less than one-third of what should have been paid; the attitude adopted by the country's creditors with respect to this course of action was one of circumspect tolerance.

e) *The balance on current account and its financing*

The negative balance on current account rose by 76%, mainly because of the deterioration of the trade account, which exhibited the greatest gap since 1980 (see table 14). The deficit was concentrated in merchandise trade, since the balance for real services was positive.

The slowness of the renegotiation of the external debt, the delay in signing agreements with international financial agencies, the suspension of inputs of fresh capital promised by commercial banks, and the insufficient flow of foreign capital to the private sector gave rise to international liquidity problems. These difficulties were reflected in delays in processing requests for foreign exchange for imports, which were resolved towards the end of the year with the receipt of US\$80 million that was deposited by AID in the Central Bank. Lastly, international reserves went down slightly.

f) *The external debt*

The external debt grew more rapidly in 1987, after having stabilized during the preceding two years, and surpassed US\$3.9 billion (over US\$1 400 per inhabitant), of which a little more than 90% corresponded to the public sector. This acceleration of its growth rate was primarily due to the country's increased arrears in debt service payments rather than to a greater inflow of fresh resources. The service on the external debt in terms of both interest and amortization payments was US\$400 million less than in 1986 (see table 15).

Towards the end of the year, the status of the debt owed to the various categories of creditors was as follows: i) arrears in respect of commercial banks continued to build up, since only 40% of the interest due was actually paid; ii) multilateral commitments were paid as late as was permitted; and iii) the country was awaiting the renegotiation of its bilateral debts with Mexico and Venezuela.

During 1987 a total of US\$112 million in transactions were carried out under the programme for converting the debt into assets. Nevertheless, these types of operations were then suspended in an effort to reduce inflationary pressures. In secondary markets the Costa Rican debt was being traded at between 15% and 20% of its book value.

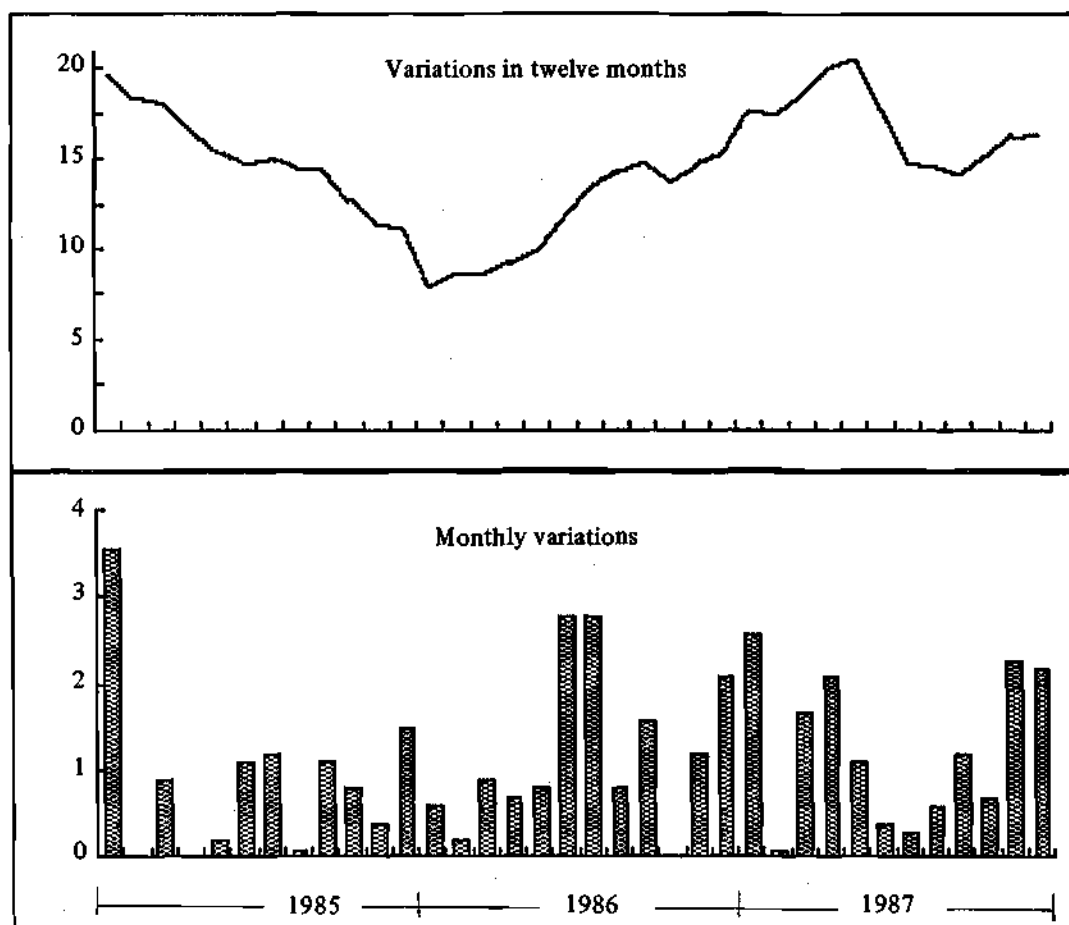
4. Prices and wages

a) Prices

Measured in terms of consumer prices, the 12-month rate of inflation up to December (16%) was not much higher than in the preceding year. Moreover, the average variation of the wholesale price index was almost one-third less than that of the consumer price index (see table 16 and figure 2).

In spite of the contractive monetary policy applied during the year, attempts to slow down the inflationary process were not successful. This was a consequence, on the demand side, of the excessive growth of the means of payment during the preceding year and the first half of 1987 and of the expansion of credit. This last factor was due, in turn, to the policy of relaxing financial regulations. On the supply side, the authorities continued to decontrol the prices of mass consumer products (while also eliminating the corresponding subsidies), although the rise in food prices was less than the increase in the overall index.

Figure 2
COSTA RICA: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

b) *Wages*

The methodology for calculating compensatory wage adjustments was modified. In the private sphere real wages remained virtually unchanged owing to the adoption, in the second half of 1986, of the consumer price index as the determining factor for wage adjustments. In 1987, especially during the second half of the year, the use of this formula was extended to include the public sector.

As for minimum wages, two opposing trends were observed. Whereas the lower-level minimum wage went up by almost 7% in real terms and thus far exceeded (26%) its 1980 level, the upper-level minimum wage fell by 1%, with its cumulative decrease amounting to over 18%. This trend reflected an effort to consolidate the various existing minimum wages into a single such wage (see table 17).

Although the phenomenon has been less marked than in other Central American countries, in Costa Rica some informal own-account activities, such as in commerce and other services, have been on the increase as more and more former wage-earners and immigrants find their way into this sector of the economy. This factor must be taken into account when evaluating any conclusions which might be drawn from an analysis of wage trends.

5. Fiscal and monetary policy

a) *Fiscal policy*

The improvement in the public sector's financial situation was evidenced in a significant drop in its deficit in relation to the product. This decrease was, in turn, a consequence of the fact that the level of the fiscal deficit proper fell from 3.3% to 2% of the product. The rest of the public sector—made up of decentralized bodies and para-State enterprises, with the exception of the Central Bank—generated a surplus (see table 18).

This reduction of the deficit was achieved by controlling the Central Bank's exchange losses, delaying some expenditures until 1988 and, in large part, by putting many public enterprises on a sounder financial footing, thereby making it possible for the latter to show a surplus. The surpluses achieved by the Costa Rican Social Security Fund, which were transferred to the central government, were particularly notable and were the result of an increase in its rates and a lowering of the costs of the services it provides.

Central government current expenditure increased, but spending on salaries and wages contracted slightly in real terms. Since the level of employment remained almost stable, nominal wage adjustments appear to have been lower than inflation. Increases in other outlays were, on the other hand, substantial, due to a number of current and capital transfers that were made to some public corporations and decentralized institutions within the framework of a policy aimed at phasing them out.

Investment spending fell for the third consecutive year, this time by more than 13% (the cumulative decrease was therefore around 40%), as a result of the reduced availability of resources. In the near future this could lead to a deterioration of existing infrastructure, as well as to a decrease in supplementary public-sector investment and a weakening of private investment initiatives.

Tax revenue showed a notable increase in real terms due to the higher level of receipts from indirect taxes. There was a particularly large increase in receipts from the sales tax, owing primarily to a more efficient administration of this tax and to the introduction of a 10% levy on lotteries.

In order to attack the fiscal deficit, the government placed a tax reform bill before the Congress in December 1986. This bill proposed a means of offsetting the drop in revenue attributable to the granting of export incentives (3% to 4% of the budget), and provided for the promotion of tourism as well as of forestry, banana production and co-operatives. The additional revenue was to come mainly from the taxes on luxury goods and automobile ownership. This tax package caused much controversy and was not approved by the Legislative Assembly until November 1987. It therefore had little influence on tax revenues for 1987.

The central government's fiscal deficit was not financed by the Central Bank. Net bond sales on the financial market did not play a very important role in its financing either, although they were a highly mobile means of refinancing those that had been issued previously, since they were relatively

short-term securities. The domestic financing of the deficit was instead chiefly achieved by centralizing the cash surpluses of the various public agencies, enterprises and financial institutions. This caused a serious lack of liquidity for many of these institutions.

Official declarations notwithstanding, the privatization of subsidiaries of the government-owned Development Corporation (CODESA) tended to become bogged down.

b) *Monetary policy*

The general guidelines set forth in the country's agreements with international financial agencies continued to constitute the framework for the government's monetary and credit policies. In addition, an effort was made during most of the year to keep monetary and credit variables under control in an attempt to check the rise in prices. The money supply decreased in the last quarter as a result of the authorization in December of US\$80 million in imports for which importers were required to pay an advance deposit of 50% in national currency. Thus, the authorities' efforts to apply a cautious monetary policy proved to be successful by the end of the year, since —if only December balances are compared— the means of payment only increased by 6% (see table 19). This rate was too slow to cover the needs of the productive system and contributed to the loss in dynamism observed in the last quarter.

The quantitative control of credit was relaxed and, in view of the undesirability of competing with the central government's own financing needs, the Central Bank's open market operations (the sale of stabilization bonds) were insufficient to cover its losses. Given these circumstances, a large variety of instruments were used to curb the growth of liquidity. The increase in bank reserves did not affect the monetary picture, since the rates were already high and provided little leeway and since financial assets having lower rates came to represent a larger share of bank portfolios. Thus, the increase in prior deposits on imports was 50% in September, it having decreased from 100% to 50% near the beginning of the year. In addition, directives were sent to public institutions instructing them to invest their cash surpluses exclusively in government and Central Bank bonds. This not only lessened the volume of financial-market transactions, but also reduced secondary-market liquidity and put pressure on interest rates.

These measures pushed the unregulated financial sector, which had been experiencing a period of rapid growth, into a crisis that resulted in the bankruptcy of 10 of the institutions in this sector. The consequent loss of confidence also affected the regulated financial sector.

The moderate policy followed by the Central Bank led to a contraction, in real terms, of the money supply to which the decrease in net international reserves also contributed. The amount of credit granted to the public sector went down in real terms as well because of the nominal decrease in the credit extended to public institutions.

Credit to the private sector grew at a rate of over 20%, with the increases in credit for the construction sector, particularly for the building of houses, and in consumer credit being especially marked. On the other hand, the amount of credit for agriculture and industry went down from 85% to 80% of the total granted to the private sector. This was the consequence, to some degree, of the phasing out of the ceilings on loans granted by commercial banks, as well as those on portfolios, with the exception of credit for small industries and agricultural producers.

The expansion of private credit was the product of greater competition within the national banking system, whose institutions were able to offer higher interest rates. The Ministry of Finance, for its part, tried to check the rise in the cost of money and to prevent the consolidation of the upward trend in the market, which caused public bond sales to slacken.

The interest rates of the banking system were positive in real terms, but lower than in 1986, since inflation was higher than predicted. As a result of the policy of offering more attractive interest rates, the increase in savings and term deposits in the banking system (14%) almost doubled that of the preceding year.

Lastly, the Central Bank tried, as in 1986, to lessen its losses and to mitigate their inflationary effects, but met with little success in this regard due to the fact that it had been made responsible for managing the country's external debt and because the colón continued to be devalued as part of the government's foreign trade policy.

Table 1

COSTA RICA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (index 1980 = 100)	97.7	90.6	93.0	100.3	101.0	106.3	110.2
Gross national income (index 1980 = 100)	86.2	76.0	80.9	89.9	91.3	102.1	103.4
Population (millions of inhabitants)	2.35	2.42	2.50	2.57	2.64	2.72	2.79
Per capita gross domestic product (index 1980 = 100)	94.8	85.3	85.1	89.2	87.3	89.4	90.3
Growth rates							
B. Short-run economic indicators							
Gross domestic product	-2.3	-7.2	2.7	7.8	0.7	5.3	3.8
Per capita gross domestic product	-5.2	-9.9	-0.2	4.8	-2.0	2.5	1.0
Gross national income	-13.8	-11.8	6.5	11.2	1.5	12.0	1.3
Rate of unemployment ^{bc}	8.7	9.4	9.0	7.9	6.8	6.2	5.5
Consumer prices							
December to December	65.1	81.7	10.7	17.4	10.9	15.4	16.4
Variation between annual averages	37.1	90.1	32.6	12.0	15.0	11.8	16.8
Real wages and salaries ^c	-11.7	-19.8	10.9	7.8	9.0	6.1	-2.5
Money	52.2	67.5	35.9	15.5	13.0	30.0	5.6
Current income of government	41.8	73.7	62.6	26.1	18.5	18.8	17.0
Total expenditure of government	...	...	...	...	12.4	28.7	8.3
Total expenditure/gross domestic product ^b	...	...	...	19.6	18.1	18.7	17.7
Fiscal deficit/gross domestic product ^b	...	...	...	3.0	2.0	3.3	2.0
Current value of exports of goods and services							
	-1.9	-5.1	1.6	12.5	-4.1	14.0	4.6
Current value of imports of goods and services							
	-21.4	-19.9	10.2	8.9	2.2	5.0	18.4
Terms of trade (goods and services)	-21.8	-3.0	5.7	4.0	-3.1	15.5	-8.5
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-127	73	-16	24	-56	51	-131
Net payments of profits and interest	-304	-374	-333	-314	-282	-274	-243
Balance on current account	-408	-274	-330	-265	-303	-193	-341
Balance on capital account	358	400	377	209	375	274	337
Variation in international reserves (net)	-65	125	64	-84	72	61	-4
Total disbursed external debt ^d	2 687	3 188	3 532	3 752	3 742	3 791	3 914

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bPercentages. ^cAnnual average of the rates for four-monthly periods obtained from household surveys up to 1987, when the survey began to be conducted on an annual basis. ^dRefers to the disbursed medium- and long-term debt.

Table 2

COSTA RICA: TOTAL SUPPLY AND DEMAND

	Indexes 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	93.0	98.9	105.1	146.6	139.8	8.5	0.5	6.4	6.3
Gross domestic product at market prices	101.0	106.3	110.2	100.0	100.0	7.8	0.7	5.3	3.8
Imports of goods and services ^b	75.9	83.2	94.1	46.6	39.8	10.3	-0.2	9.5	13.2
Total demand	93.0	98.9	105.1	146.6	139.8	8.5	0.5	6.4	6.3
Domestic demand	83.7	90.3	94.7	112.9	97.0	8.0	2.3	7.9	4.9
Gross domestic investment	73.8	84.2	82.0	26.6	19.8	10.9	7.7	14.1	-2.6
Gross fixed investment	78.0	84.5	91.7	23.9	19.9	26.1	5.4	8.3	8.5
Construction	76.6	79.5	79.2	13.7	9.9	19.8	4.2	3.7	-0.3
Machinery	79.9	91.1	108.4	10.2	10.0	35.6	7.0	14.1	18.9
Public	80.1	74.8	66.7	4.8	2.9	7.2	21.5	-6.7	-10.7
Private	77.5	86.9	97.9	19.1	17.0	31.2	1.9	12.2	12.7
Changes in stocks	36.4	81.8	-3.9	2.7	-0.1				
Total consumption	86.7	92.2	98.7	86.3	77.3	7.3	0.9	6.3	7.0
General government	93.7	86.4	97.4	18.2	16.1	3.9	1.1	2.8	1.0
Private	84.8	91.0	99.0	68.1	61.2	8.3	0.9	7.3	8.8
Exports of goods and services ^b	124.2	127.9	139.9	33.7	42.8	9.6	-3.3	3.0	9.4

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bFigures for exports and imports of goods and services were obtained from balance-of-payments data expressed in dollars, which were then converted to constant 1980 values using price indexes calculated by ECLAC for the purpose.

Table 3

**COSTA RICA: GROSS DOMESTIC PRODUCT BY KIND OF
ECONOMIC ACTIVITY AT 1980 MARKET PRICES**

	Indexes 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	101.0	106.3	110.2	100.0	100.0	7.8	0.7	5.3	3.8
Goods	100.0	105.4	107.3	42.6	41.5	11.4	-1.2	5.4	1.8
Agriculture ^b	108.3	112.9	110.1	17.8	17.8	10.1	-5.5	4.2	-2.5
Manufacturing ^c	101.1	108.4	114.3	18.6	19.3	10.4	2.0	7.2	5.5
Construction	72.9	74.8	78.2	6.2	4.4	23.6	5.6	2.7	4.4
Basic services	113.7	119.8	127.4	6.3	7.3	3.4	-1.6	5.4	6.3
Electricity, gas and water	129.0	136.9	145.1	2.1	2.8	3.2	-7.4	6.1	6.0
Transport, storage and communications	106.0	111.1	118.4	4.2	4.5	3.6	2.3	4.9	6.5
Other services	100.2	105.4	110.6	51.0	51.2	5.6	2.7	5.2	4.9
Commerce, restaurants and hotels	94.9	104.1	111.5	20.1	20.3	11.4	4.6	9.7	7.1
Financial institutions, insurance, real estate and business services	110.5	115.2	122.7	11.3	12.6	3.5	2.7	4.2	6.5
Ownership of dwellings	107.0	109.7	113.6	6.0	6.2	1.6	1.6	2.5	3.6
Community, social and personal services	99.6	101.0	102.7	19.6	18.3	1.8	1.0	1.4	1.6
Government services	99.2	100.2	101.7	15.2	14.0	1.5	0.5	1.0	1.5

Source: ECLAC, on the basis of official figures, which were then re-weighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries on the basis of their calculations at constant prices.

^aPreliminary figures. ^bIncludes livestock, forestry, and fishing.

Table 4

COSTA RICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Production index									
(1980 = 100)	100.0	109.9	103.9	108.3	105.6	10.1	-5.5	4.2	-2.5
Crop farming	100.0	117.3	107.1	110.8	118.0	7.6	-8.7	3.5	6.5
Livestock	100.0	106.0	100.2	95.7	71.5	16.4	-5.5	-4.5	-25.2
Forestry	100.0	65.4	73.4	102.7	85.9	18.4	12.3	39.9	-16.3
Fishing	100.0	88.6	104.5	116.0	128.2	32.0	18.0	11.0	10.5
Production of main crops^b									
For export									
Coffee	106	137	124	123	142	10.4	-9.5	-1.1	15.8
Bananas	1 108	1 169	1 003	1 106	1 161	1.1	-14.2	10.3	4.9
Sugar cane	2 516	2 936	2 766	2 760	2 702	15.4	-5.8	-0.2	-2.1
Cocoa	5	4	4	4	5	91.5	10.2	-2.0	12.1
For domestic consumption									
Rice	231	263	225	194	167	6.4	-14.5	-13.8	-14.0
Maize	75	110	115	123	122	17.2	4.4	7.3	-0.6
Beans	21	21	23	29	33	44.7	10.2	26.6	12.2
Sorghum	42	48	54	54	35	52.4	13.2	-0.1	-34.7
Tobacco	2	2	2	1	2	22.8	-17.0	-15.6	8.7
Plantains	90	81	79	81	84	-13.0	-2.9	2.5	4.0
Indicators of livestock production									
Slaughtering ^b									
Cattle	118	123	107	94	41	25.9	-13.4	-11.6	-56.1
Pigs	19	23	26	21	17	22.2	11.3	-19.8	-16.0
Poultry	5	6	6	6	8	21.5	0.4	2.3	25.6
Other products									
Milk ^c	308	346	366	391	407	5.8	5.7	6.9	4.0
Eggs ^d	430	316	228	251	315	13.7	-28.0	10.5	25.4
Other production indicators									
Wood ^e	687	449	504	705	589	18.4	12.3	39.9	-16.4
Volume of fishery production^b									
	19	17	20	22	25	32.0	18.0	11.0	10.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bThousands of tons.^cMillions of litres.^dMillions of units.^eThousands of

cubic metres.

Table 5

COSTA RICA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of value added (1977 = 100)	112.0	110.9	113.1	121.2	127.9	10.4	2.0	7.2	5.5
Consumer goods									
Foods, beverages and tobacco	116.3	129.8	134.8	138.3	146.3	13.4	3.9	2.6	5.8
Coffee processing	134.2	173.0	156.6	146.7	...	10.4	-9.5	-6.3	...
Meat	128.2	135.7	170.3	186.5	...	25.9	25.5	9.5	...
Sugar	104.2	132.2	132.9	125.7	...	24.7	0.5	-5.4	...
Other foods	117.0	119.5	126.2	133.3	...	11.0	5.6	5.6	...
Textiles, leather and footwear	105.7	108.1	105.8	101.2	96.0	-5.6	-2.1	-4.3	-5.1
Furniture and wood	118.2	77.4	84.5	83.8	95.3	9.5	9.2	-0.8	13.7
Printing, publishing and related industries	121.6	132.5	144.9	158.1	168.2	16.8	9.4	9.1	6.4
Other	80.7	72.2	77.7	73.0	83.0	10.1	7.6	-6.0	13.7
Intermediate goods									
Paper and paper products	145.0	163.5	163.0	165.0	175.6	-7.1	-0.3	1.2	6.4
Chemicals and rubber	123.8	98.4	99.2	103.0	102.4	7.4	0.8	3.8	-0.6
Petroleum refining	210.2	182.9	183.8	278.1	...	29.9	0.5	51.3	...
Non-metallic minerals	128.1	124.0	128.0	136.7	154.1	30.7	3.2	6.8	12.7
Metal manufactures and machinery	138.7	72.4	77.6	88.6	96.0	2.3	7.2	14.2	8.3
Other indicators of manufacturing production									
Index of industrial consumption of electricity (1970 = 100)	314.7	352.1	352.8	383.9	...	10.3	0.2	8.8	...
Index of employment (1968 = 100)	187.6	186.3	187.2	188.3	190.4	3.2	0.5	0.6	1.1

Source: ECLAC, on the basis of figures supplied by the Central Bank of Costa Rica, except those for 1987.

^aPreliminary figures based on the *Encuesta de Coyuntura Industrial* of the Institute for Economic Research.

Table 6
COSTA RICA: CONSTRUCTION INDICATORS

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Area constructed (thousands of m ²)									
Permits ^b	1 300	1 222	1 063	1 169	1 324	23.5	-13.0	10.0	13.3
Actual construction ^c	1 110	782	963	1 132	1 644	4.7	23.1	17.5	45.2
Cement production^d									
Total	431	468	475	533	575	45.3	1.5	12.2	7.9
Sales for domestic consumption ^e	428	436	451	523	562	57.4	3.4	16.0	7.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bBased on permits granted for construction, extensions and remodeling.

^cOn the basis of an

estimate by the Chamber of Construction.

^dThousands of tons.

^eMainly for private construction.

Table 7
COSTA RICA: ELECTRICITY GENERATION, CONSUMPTION
AND EXPORTS

	Millions of kWh				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Generation	3 011	2 776	2 898	3 377	5.3	-7.8	4.3	16.5
Hydroelectric	2 966	2 766	2 892	2 998	5.3	-6.7	4.5	3.7
Thermal	45	10	6	79	5.3	-77.7	-40.0	1 216.7
Consumption	2 345	2 471	2 691	3 073	6.5	5.3	8.9	14.2
Residential	1 053	1 122	1 242	...	4.6	6.5	10.6	...
Industrial	673	675	735	...	10.3	0.2	8.8	...
Public lighting	77	81	81	...	4.0	5.1	-	...
Commercial ^b	542	593	633	...	5.6	9.4	6.7	...
Exports	415	60	-77	-171	-13.0	-85.5	-228.3	-122.1
Consumption plus exports	2 761	2 531	2 614	2 902	3.0	-8.3	3.3	11.0

Source: ECLAC, on the basis of figures provided by the Costa Rican Institute of Electricity (ICE) and by the Central Bank of Costa Rica.

^aPreliminary figures.

^bIncludes electricity consumed in ICE construction projects.

Table 8

COSTA RICA: EMPLOYMENT AND UNEMPLOYMENT^a

	Thousands of persons			Participation ^b	Rates		
	Labour force	Employment	Unemployment		Unemployment		
					National	Urban	Rural
1980	770.3	724.7	45.6	34.7	5.9	5.9	5.9
1981	795.8	726.2	69.6	35.0	8.7	9.1	8.4
1982	838.5	759.9	78.6	36.1	9.4	10.5	8.3
1983	843.8	767.6	76.2	35.5	9.0	9.3	8.7
1984 ^c	865.6	797.1	68.5	35.6	7.9	8.2	7.6
1985	887.5	826.7	60.8	35.7	6.8	7.2	6.4
1986	910.9	854.2	56.7	35.8	6.2	6.8	5.6
1987 ^d	965.3	912.1	53.2	36.8	5.5	5.4	4.7

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Security and by the Statistics and Census Bureau.

^aFigures for July registered in the household surveys which were conducted every four months up to 1986; as of 1987, the survey was to be carried out only in July. ^bLabour force as a percentage of total population. ^cAverage of the March and November surveys. ^dPreliminary figures.

Table 9

COSTA RICA: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (colones per dollar)	Indexes of effective real exchange rate ^a	
		Exports	Imports
1970-1979	7.74	106.7	104.5
1980	9.23	100.0	100.0
1981	20.58	145.0	150.4
1982	38.93	129.1	130.4
1983	42.20	114.3	113.4
1984	44.54	113.8	113.1
1985	50.45	121.5	120.3
1986	56.00	121.4	118.0
1987	62.78	129.0	121.6
1985			
I	48.30	114.0	114.8
II	49.49	118.0	118.2
III	51.27	123.7	121.4
IV	52.75	130.3	126.9
1986			
I	54.00	126.8	123.5
II	55.29	112.0	119.1
III	56.62	117.4	114.8
IV	58.03	119.3	114.7
1987			
I	59.40	123.7	114.5
II	61.34	127.7	119.9
III	63.40	129.0	122.7
IV	66.97	135.4	129.1

Source: ECLAC, on the basis of data supplied by the International Monetary Fund.

^aData supplied by the International Monetary Fund, except for the period from October 1980 to December 1983, for which exchange rates provided by the Central Bank of Costa Rica were used.

^bAverage of the indexes of the real exchange rate for the Colón with respect to the currencies of Costa Rica's main trading partners, weighted by the relative significance of exports to those countries or imports from them, as appropriate. From 1970 to 1980, the weightings correspond to the average for the period 1975-1979 and as from 1981, to the average for the period 1982-1985. Wholesale price indexes were used in the calculations whenever possible. For information on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America, 1981*.

Table 10

COSTA RICA: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	0.2	-13.3	-1.9	17.0	-5.6	15.2	2.8
Volume	12.7	-9.2	1.2	14.6	-4.7	1.0	10.3
Unit value	-11.1	-4.5	-3.1	2.1	-1.0	14.1	-6.8
Imports (FOB)							
Value	-20.7	-26.2	11.6	11.0	0.8	4.2	19.6
Volume	-23.9	-24.2	18.3	14.4	-0.9	10.1	13.9
Unit value	4.2	-2.6	-5.7	-3.0	1.7	-5.3	5.0
Terms of trade	-15.1	-2.6	2.0	3.5	-2.8	20.1	-11.3
Indexes (1980 = 100)							
Purchasing power of exports	95.7	84.5	87.3	103.6	96.0	114.6	113.8
Volume of exports	112.7	102.3	103.5	118.6	113.0	114.1	125.9
Volume of imports	76.1	57.6	68.2	78.0	77.3	85.2	97.0
Terms of trade	84.9	82.7	84.3	87.3	84.9	101.9	90.4

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 11

COSTA RICA: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	939	1 085	1 114	100.0	100.0	16.9	-5.8	15.5	2.7
Central America	144	100	100	21.3	9.0	3.2	-25.4	-30.6	-
Rest of world	795	985	1 014	78.7	91.0	16.5	-1.1	23.9	2.9
Main traditional exports	595	690	649	60.0	58.3	13.5	-0.9	16.0	-5.9
Coffee	316	378	330	26.2	29.6	16.2	18.2	19.6	-12.7
Bananas	208	229	243	27.5	21.8	4.4	-17.1	10.1	6.1
Meat	54	70	57	3.5	5.1	36.4	23.4	29.6	-18.6
Sugar	14	11	17	2.7	1.5	48.5	-62.0	-21.4	54.5
Cocoa	3	2	2	0.1	0.1	50.0	66.7	-23.3	6.5
Other ^b	200	295	365	18.7	32.4	25.1	-2.0	47.5	23.6

Source: ECLAC, on the basis of figures provided by the Central Bank of Costa Rica and the Statistics and Census Bureau.

^aPreliminary figures. ^bIf the value added in the country by the inbond assembly industry in 1986 and 1987 is included, the corresponding values are then 331 and 406, respectively.

Table 12

COSTA RICA: EXPORT VOLUMES OF MAIN PRODUCTS

	Thousands of tons			Growth rates			
	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Coffee	123	94	136	4.6	8.8	-23.6	44.7
Bananas	851	941	980	0.8	-16.6	10.6	4.1
Meat	27	35	26	50.0	28.6	29.6	-25.7
Sugar	45	76	77	90.7	-56.3	68.9	1.3
Fertilizers	48	60	...	-14.3	53.3	-28.3	...

Source: ECLAC, on the basis of figures provided by the Central Bank of Costa Rica.

^aPreliminary figures.

Table 13

COSTA RICA: IMPORTS OF GOODS, CIF

	Millions of dollars					Percentage breakdown		Growth rates			
	1985	1986	January-August		1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
			1986	1987							
Total	1 098	1 163	739	905	1 385	100.0	100.0	10.7	0.4	5.9	19.1
Consumer goods	244	233	145	168	...	25.5	...	13.2	0.3	-4.5	15.9
Durable	78	65	41	51	...	9.4	...	52.5	7.7	-16.7	24.4
Non-durable	166	168	104	117	...	16.1	...	2.1	-2.9	1.2	12.5
Raw materials and intermediate goods	623	635	403	495	...	53.2	...	2.8	-2.4	1.9	22.8
Petroleum and fuels	177	117	80	91	102	13.2	7.4	-8.6	8.6	-33.9	-12.8
Other	446	518	323	404	...	40.0	...	7.9	6.1	16.1	25.1
Capital goods	231	295	180	242	...	21.3	...	39.4	9.1	27.7	34.4
Agriculture	17	8	6	6	...	1.5	...	24.2	-13.8	-52.9	-
Transport	62	85	51	75	...	5.6	...	62.8	22.7	37.1	47.1
Manufacturing and mining	79	117	115	148	...	6.9	...	28.9	15.3	48.1	28.7
Construction	21	32	...	...	...	2.6	...	45.3	-21.3	52.4	...
Other	52	53	8	13	...	4.7	...	38.3	11.9	1.9	62.5

Source: ECLAC, on the basis of figures provided by the Central Bank of Costa Rica and the Statistics and Census Bureau.

^aPreliminary figures.

Table 14

COSTA RICA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-658	-408	-274	-330	-265	-303	-193	-341
Trade balance	-459	-127	73	-16	24	-56	51	-131
Exports of goods and services	1 198	1 175	1 116	1 133	1 275	1 223	1 395	1 459
Goods FOB	1 001	1 002	869	853	997	941	1 084	1 114
Real services ^b	197	173	248	280	278	282	310	345
Transport and insurance	48	33	57	59	60	50	54	60
Travel	85	96	133	133	121	123	139	150
Imports of goods and services	1 657	1 302	1 043	1 149	1 252	1 279	1 343	1 590
Goods FOB	1 375	1 091	805	898	997	1 005	1 048	1 253
Real services ^b	283	213	238	250	255	274	295	337
Transport and insurance	177	128	130	133	134	144	150	172
Travel	60	48	44	52	55	58	67	82
Factor services	-218	-308	-377	-337	-321	-290	-282	-253
Profits	-16	5	5	7	-8	-22	-14	-43
Interest received	16	20	24	34	33	44	41	27
Interest paid	-216	-329	-403	-374	-340	-304	-300	-227
Other	-2	-4	-3	-4	-7	-8	-8	-10
Unrequited private transfer payments	20	27	30	23	32	43	37	43
Balance on capital account	749	358	400	377	209	375	274	337
Unrequited official transfer payments	-5	-	6	46	111	179	114	146
Long-term capital	402	212	24	1 190	65	341	-59	-435
Direct investment (net)	48	66	26	55	52	65	57	83
Portfolio investment (net)	122	-2	-2	-3	-	-13	-2	-
Other long-term capital	232	149	-	1 137	13	288	-114	-518
Official sector ^c	83	113	-32	1 189	126	339	-43	-496
Loans received	112	169	126	1 362	384	594	279	...
Amortization payments	-23	-45	-146	-180	-231	-255	-309	...
Commercial banks ^c	9	-18	-20	-15	-27	-16	-14	-14
Loans received	32	11	6	1	-	-	-	...
Amortization payments	-23	-29	-26	-16	-27	-16	-14	...
Other sector ^c	140	53	52	-37	-86	-35	-57	-8
Loans received	267	186	168	64	41	67	69	...
Amortization payments	-127	-133	-116	-101	-127	-102	-125	...
Short-term capital (net)	422	48	208	-927	-72	-303	132	458
Official sector	287	51	398	-530	-3	-196	150	521
Commercial banks	32	5	42	-97	12	-2	3	-
Other sectors	104	-8	-231	-301	-81	-104	-21	-63
Net errors and omissions	-71	98	162	68	111	158	87	168
Global balance ^d	92	-50	125	47	-56	72	81	-4
Total variation in reserves								
(- sign indicates an increase)	-33	65	-125	-64	84	-72	-61	4
Monetary gold	-	28	-7	-1	14	-11	-4	...
Special Drawing Rights	6	-	-	-3	3	-	-	...
IMF reserve position	10	-	-	-	-	-	-	...
Foreign exchange assets	-43	14	-95	-170	82	-88	-24	...
Other assets	-5	-23	-14	11	21	-5	-17	...
Use of IMF credit	-1	46	-10	99	-36	32	-16	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Includes other non-factor services. ^c Includes net loans granted and other assets and liabilities. ^d Is equal to the total variation in reserves (of opposite sign) plus counterpart entries.

Table 15
COSTA RICA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1980	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total external debt							
Balances	2 209	3 188	3 532	3 752	3 742	3 791	3 914
Public	1 797	2 807	3 184	3 419	3 425	3 432	3 612
Private	412	381	348	332	317	307	302
Disbursements ^b	535	299	481	272	315	193	103
Servicing	389	807	680	725	692	736	325
Amortization payments ^b	173	404	305	386	387	442	155
Interest payments	216	403	375	339	304	294	170
Public external debt^b							
Disbursements	426	235	461	254	300	175	83
Servicing	258	748	600	653	680	668	281
Amortization payments	80	350	252	339	400	392	128
Interest payments	178	398	348	314	280	276	153
Percentages							
Ratios							
Total external debt/exports of goods and services	184.4	285.7	311.7	294.3	306.5	273.1	268.3
Servicing/exports of goods and services	32.5	72.3	60.0	56.9	56.7	53.0	21.7
Net interest payments/exports of goods and services	18.0	36.1	33.1	26.6	24.9	21.2	...
Servicing/disbursements	60.6	318.3	130.2	257.1	226.7	381.7	315.5

Source: ECLAC, on the basis of figures provided by the Central Bank of Costa Rica.

^aPreliminary figures to september.

^bDisbursed medium- and long-term external debt.

Table 16
COSTA RICA: DOMESTIC PRICES

	1980	1982	1983	1984	1985	1986	1987 ^a
Indexes (yearly average)							
Consumer price index ^a	147.4	384.1	509.4	570.3	656.1	733.8	857.4
Food	158.4	462.4	611.4	665.2	746.7	835.2	958.2
Wholesale price index ^b	143.6	494.3	623.7	671.5	741.3	808.0	893.8
Imported products	152.4	607.2	716.6	760.2	820.8	880.8	953.3
Domestic products	138.7	430.3	571.2	621.3	696.4	767.0	860.3
Variation from December to December							
Consumer price index	17.8	81.7	10.7	17.4	10.9	15.4	16.4
Food	18.7	101.1	8.2	15.7	5.0	17.7	12.1
Wholesale price index	19.3	79.1	5.9	12.2	7.6	11.9	10.9
Imported products	21.8	66.9	3.0	10.9	4.7	10.5	8.4
Domestic products	17.3	89.4	8.3	13.2	9.7	12.8	12.5
Variation between annual averages							
Consumer price index	18.1	90.1	32.6	12.0	15.0	11.8	16.8
Food	21.8	113.6	32.2	8.8	12.3	11.9	14.7
Wholesale price index	23.7	108.3	26.2	7.7	10.4	9.0	10.6
Imported products	27.6	109.2	18.0	6.1	8.0	7.3	8.2
Domestic products	21.5	107.5	32.7	8.8	12.1	10.3	12.2

Source: ECLAC, on the basis of figures provided by the Statistics and Census Bureau and the Central Bank of Costa Rica.

^aCorresponds to middle- and low-income sectors in the San José metropolitan area; the base year is 1975.

^bBase year 1978 = 100.

Table 17

COSTA RICA: WAGES AND SALARIES

	Indexes (1975 = 100)				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Average wages and salaries									
Total (nominal)	682.1	855.8	1 015.2	1 071.7	47.1	20.7	25.5	18.6	5.6
Public sector	600.3	778.5	927.7	...	45.6	17.6	29.7	19.2	...
Central government	588.4	694.2	837.7	939.3	38.2	21.0	18.0	20.7	12.1
Autonomous institutions	607.6	836.2	986.6	...	50.8	14.9	37.6	18.0	...
Private sector	734.5	910.0	1 070.5	1 159.6	48.9	21.6	23.9	17.6	8.3
Total (real) ^b	119.6	130.4	138.3	134.9	10.9	7.8	9.0	6.1	-2.5
Public sector	105.3	118.7	126.4	...	9.7	5.1	12.7	6.5	...
Central government	103.2	105.8	114.2	118.3	4.3	8.1	2.5	7.9	3.6
Autonomous institutions	106.5	127.5	134.5	...	13.7	2.6	19.7	5.5	...
Private sector	128.8	138.7	145.9	146.0	12.2	8.6	7.7	5.2	0.1
Minimum wage									
Nominal									
Upper level	541.0	596.9	633.6	678.3	44.2	17.7	10.3	6.1	7.1
Lower level	858.8	1 061.2	1 253.9	1 446.9	53.4	17.7	23.6	18.2	15.4
Real^b									
Upper level	94.9	91.0	86.3	85.3	8.7	5.2	-4.1	-5.2	-1.1
Lower level	150.6	161.7	170.9	182.2	15.7	5.2	7.4	5.7	6.6

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Security.

^a Preliminary figures, average for the first half of the year.^b Deflated by the consumer price index for middle- and lower-income consumers in the metropolitan area of San José.

Table 18

COSTA RICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of colones				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	27 012	32 005	38 029	44 500	26.1	18.5	18.8	17.0
Tax revenue	24 659	29 666	33 638	41 383	18.4	20.3	13.4	23.0
Direct	5 275	5 629	6 471	7 458	2.1	6.7	15.0	15.3
Indirect	11 050	13 288	14 493	20 511	41.2	20.3	9.1	41.5
On foreign trade	8 334	10 749	12 674	13 414	6.3	29.0	17.9	5.8
2. Current expenditure	26 586	30 144	36 858	43 385	26.8	13.4	22.3	17.7
Wages and salaries	9 822	10 981	13 651	15 649	27.1	11.8	24.3	14.6
Other current expenditure	16 764	19 163	23 207	27 736	26.6	14.3	21.1	19.5
3. Current saving (1-2)	426	1 861	1 171	1 115				
4. Capital expenditure	5 392	5 802	9 418	6 715	...	7.6	62.3	-28.7
Real investment	3 662	3 390	2 834	2 453	24.9	-7.4	-16.4	-13.4
Other capital expenditure	1 730	2 412	6 584	4 262	-19.2	39.4	173.0	-35.3
5. Total expenditure (2 + 4)	31 978	35 946	46 276	50 100	...	12.4	28.7	8.3
6. Fiscal deficit (or surplus) (1 - 5)	-4 966	-3 941	-8 247	-5 600				
7. Debt amortization	1 896	1 724	1 969	1 777	79.5	-9.1	14.2	-9.8
Ratios (percentages)								
Current saving/capital expenditure	5.8	24.7	10.3	13.1				
Fiscal deficit/current expenditure	25.8	18.8	27.7	17.0				
Fiscal deficit/total expenditure	20.3	15.0	21.2	14.2				
Tax revenue/GDP	15.1	15.0	13.6	14.6				
Total expenditure/GDP	19.6	18.1	18.7	17.7				
Fiscal deficit/GDP	3.0	2.0	3.3	2.0				

Source: ECLAC, on the basis of figures supplied by the Ministry of Finance of Costa Rica.

^aPreliminary figures.

Table 19

COSTA RICA: MONETARY BALANCE AND INDICATORS

	Balance at end of year (millions of colones)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Money (M₁)	28 420	32 123	41 943	44 293	15.5	13.0	30.6	5.6
Currency outside banks	8 587	9 938	13 242	14 803	23.7	15.7	33.2	11.8
Demand deposits	19 833	22 185	28 701	29 490	12.3	11.9	29.4	2.7
Factors of expansion	75 189	88 693	111 633	129 454	21.7	18.0	25.9	16.0
Net international reserves	8 332	16 694	21 789	25 897				
Domestic credit	66 857	71 999	89 844	103 557	18.9	7.7	24.8	15.3
To the public sector	34 402	34 347	45 668	50 389	16.4	-0.2	33.0	10.3
Central government (net)	9 968	8 960	14 001	19 234	11.0	-10.1	56.3	37.4
Public institutions	24 434	25 387	31 667	31 155	18.8	3.9	24.7	-1.6
To the private sector	32 455	37 652	44 176	53 168	17.4	16.0	17.3	20.4
Factors of absorption	46 769	56 570	69 691	85 161	25.8	21.0	23.2	22.2
Quasi-money (savings and time deposits) ^b	46 273	55 709	63 569	80 694	15.3	20.4	14.1	26.9
Long-term external loans	89 142	111 778	129 285	146 307	16.9	25.4	15.7	13.2
Other items (net) ^c	-88 646	-110 917	-123 163	-141 834	11.9	25.1	11.0	15.2
Other indicators^d								
Monetary base ^d	13 101	16 693	23 992	26 337				
Money (M ₁)	25 520	28 351	36 205	40 634				
Money plus quasi-money (M ₂)	69 016	81 550	95 654	92 238				
Coefficients^e								
Monetary multipliers								
M ₁ /monetary base	1.95	1.70	1.51	1.54				
M ₂ /monetary base	5.27	4.89	3.99	3.50				
Velocity of circulation								
GDP/M ₁	5.74	6.16	5.91	6.38				

Source: ECLAC, on the basis of figures supplied by the Central Bank of Costa Rica.

^aPreliminary figures. ^bIncluding bonds. ^cIncludes adjustments for variations in the rate of exchange. ^dThe definition of monetary base used here is that of monetary issue plus commercial-bank demand deposits in the Central Bank of Costa Rica. ^eCalculated on the basis of annual averages (of end-of-month balances) of the monetary base, of money (M₁) and of money plus quasi-money (M₂).

CUBA

1. Recent economic trends: Introduction and summary

For the first time in two decades, the Cuban economy underwent a severe recession, with a 3.5% drop in the global social product at constant prices accompanied by a precarious situation as regards the availability of freely convertible foreign exchange. The crisis had been in the making for years as older problems, which had been reflected in a deterioration in the balance of trade with the socialist countries and the maintenance of a large trade deficit with the market-economy countries. In 1986, these problems were compounded by the adverse effects of natural phenomena and of external economic conditions with the result that the per capita product was virtually stagnant. In 1987, those factors continued to have a negative effect, causing the crisis which had been emerging the previous year to grow worse (see table 1).

Hurricane Kate, which occurred late in 1985, caused enormous production and infrastructure losses, which could not be covered on the short term. In addition, drought which hit the country several years back has returned and has been experienced intensively over the past two years. Those untimely natural phenomena combined to cause severe damage especially to exportable production, thereby weakening the country's capacity to generate foreign exchange. The hardest hit areas were sugar production and hence sugar exports, especially exports to socialist countries, with the result that the trade deficit with them increased. In addition, the fall in the price of petroleum on the international market in 1986 affected the amount of revenue in freely convertible currency which Cuba obtains by re-exporting petroleum to the international market.¹

These difficulties in the external sector were aggravated by the structure of Cuba's trade. Trade with the CMEA countries—more than 80% of the total flows in the past two decades—has provided stability and good price conditions, but at the same time it has meant high transport costs, few possibilities for obtaining convertible foreign exchange, low dynamism and less need to incorporate technical progress in the industrial sector. In addition Cuba has always needed to purchase goods essential for the normal functioning of many activities in other areas, which has caused major difficulties due to the country's limited opportunities for obtaining convertible foreign currency.

In 1987, in order to fulfil the agreements with the socialist countries, sugar exports to them were maintained, necessitating a cutback in exports to the international market, which command a considerably lower price. In addition, although the price of petroleum rallied, it remained below the levels reached in the first half of this decade. The weakening of the dollar *vis-à-vis* the currencies of OECD countries further complicated the picture. The income received by Cuba from this area was mainly in dollars whereas imports were effected in other currencies because Cuba is unable to obtain provisions in the United States. Furthermore, the foreign debt, contracted principally in currencies other than the United States dollar, rose as a result of the changes in exchange rate parities.

The deficit in the trade balance stayed practically the same as in 1986, a year in which it had reached its highest point in the present decade although its composition changed. The negative balance with the socialist countries increased, while that with the market-economy countries dropped considerably as a result of the strong contraction in imports from those countries because of the shortage of convertible currencies experienced by the Cuban economy. On the other hand, the deficit on the services account grew significantly, making the balance on current account of the balance of payments in freely convertible currency even more unfavourable. As a consequence of these developments by mid-1986 the country had already stopped servicing part of its foreign debt

¹Cuba re-exports to the international market oil imported from the Soviet Union at a preferential price under the bilateral trade agreement between the two countries. Through this mechanism, the Soviet government assists the Cuban government financially as well as helping it to increase its supply of freely convertible foreign exchange.

commitments, which made its dialogue with external credit sources more difficult. As for international reserves, they continued to dwindle while the ratio of freely convertible currency in them was also dropping. In contrast, the debt in this type of currency rose substantially, due to the arrears accrued (2.6 billion pesos at the end of the year) in servicing the debt.

Because of the decreased capacity to use freely convertible foreign currency for imports, the authorities reduced capital formation in order to continue meeting the population's basic needs in the short term. Moreover, measures to reduce the domestic demand for imports from international markets and to attenuate the imbalance in the State budget were also adopted; these measures which had been applied in 1986, included a rise in some public service tariffs and prices and a very rigorous State spending policy and helped to unleash a recession in early 1987; in the first quarter of that year, the gross social product measured in constant prices was 7% lower than in the same period the preceding year; however, the deterioration in the level of activity weakened to the point of reaching 4% in the second quarter and approximately 3% in the third quarter.

This contraction was manifested in nearly all activities, affecting those with material as well as non-material output. From the point of view of use, the net formation, of both fixed capital and stocks, was the area most affected, which was attributable to the attempt to attenuate the drop in consumption. Employment was not affected by the climate of recession in keeping with the principle that every member of the active population must be employed, the reduction occurring in the area of productivity.

In the execution of the State budget, the fall in revenue surpassed that in expenditure, as a result of which the deficit increased. The balance-of-payments deficit in convertible currency rose substantially, reaching unprecedented levels (550 million pesos) in spite of the decrease in imported supplies. Stock depletion also helped to weaken productive activity.

The adjustment of the great conjunctural and structural imbalances which have affected the Cuban economy in the past two years has meant that it has not been necessary to ignore needs considered to be basic. However, this adjustment will probably prove to be insufficient unless progress is made in the renegotiation, of at least some of the debt in freely convertible currency and unless additional credit support is obtained. Otherwise, the measures adopted by the authorities may fall short of their goals, and the possibilities available in the country for confronting the situation may be reduced.

2. Trends in economic activity

a) *Use of the global social product*

The deterioration in the majority of the components of domestic demand resulted in a 3.5% drop in the use of the global social product. Moreover, although the difference obtained by subtracting foreign purchases from external sales was positive at constant prices, that only slightly mitigated the effects of the recession on domestic economic activity.

The authorities decided to deal with the problems in the balance of payments and in the domestic food supply at the expense of net capital formation and the consumption of the agencies which meet collective needs so as to do the least possible damage to other forms of consumption, such as intermediate consumption, consumption by the agencies which provide services to the population and, above all, personal consumption. Nevertheless, some indicators of per capita food consumption (such as number of calories per day and number of grams of protein per day) dropped to 1983 levels (see table 2). Social consumption showed a greater decline, with material reductions being concentrated in the sectors of less importance for the population, such as administration (-8%), while public health and tourism increased satisfactorily.

Capital formation —both fixed capital and stock formation— decreased considerably for the second consecutive year and reached its lowest level since 1975, thereby becoming one of the most serious indicators of the economic crisis. That decline was due to the modifications introduced in the investment policy, and to the measures adopted to eliminate the accumulation of stocks and to ensure that more of the stocks available were used (see table 3).

The priority assigned to the completion of investment projects under way meant deferring the beginning of new works. The expansion of the Hermanos Díaz petroleum refinery, the Río Yara hydroelectric power station and the thermoelectric power station on the east side of Havana and the

construction of a factory to regenerate oils, a chrome plant and two sugar mills were among the most important construction projects completed during the year. Work also continued on other large projects, such as the electronuclear power station at Cienfuegos, the CMEA first nickel plant project, the Cienfuegos refinery, the supertanker base at Matanzas and the cardboard and Bristol board factory.

b) *Evolution of the main sectors*

The economic recession was generalized, but material production suffered the most (-4%). The most severely affected sector was construction owing to the aforementioned drop in investment. As regards the rest of the goods-producing activities, the most outstanding development was the recession in manufacturing, which was chiefly attributable to the scant supply of inputs from market-economy countries (see table 4).

Various factors are responsible for the drop in transport and trade, the two main components of non-material production. The activity of the Cuban fleet, which moves a high percentage of the trade with non-socialist countries, declined as a result of the drop in imports from those countries and a diminished sugar harvest. The decline in transport was also due to the intensive effort to save fuel and to the deterioration in the activity of sectors requiring transportation. Commerce was affected by the drop in the volumes of foreign and domestic trade—primarily wholesale trade—as a consequence of the generalized sluggishness of economic activity. The most outstanding occurrence in the realm of non-material production was the increase in communications as a result primarily of the expansion of the telephone network.

i) *Agriculture.* The three most important branches—sugar cane, crops other than sugar cane and livestock—sank between 1% and 2% due to a combination of various obstacles which had already emerged, but were felt more intensively in 1987 (see table 5).

The sector, which had not yet fully recovered from the devastating effects of Hurricane Kate, was one of the most seriously damaged by the shortage of freely convertible currency since it was not possible to use fertilizers and other imported products vital to agriculture in a timely manner and in the proper amounts.

The cultivation of sugar cane, the main generator of foreign exchange, slacked off for the second consecutive year, after the noteworthy harvest achieved in 1984/1985. As the industrial yield had been low over the past two years the mechanical equipment available was again underutilized, and raw sugar production fell for the third year running.

In the area of crops grown primarily for domestic consumption, the production of grains, such as rice whose growing cycle involves a large amount of water, decreased considerably. Conversely, maize production grew notably, although less than expected. Export crops whose supply increased included citrus fruits and coffee, the latter being a crop which, along with cocoa, has been placed under a programme for the maintenance and replenishment of its plantations, which has been in progress for several years.

In the livestock subsector, the results were quite negative, in terms both of the growth of the herd and of slaughtering. However, the rally in grass and fodder production boosted the domestic supply of fresh milk. The cattle herd diminished; and the number of head slaughtered was lower, and the net weight slaughtered lower still, although during the year a total of 1.2 million head of cattle were stabled, which naturally drove production costs up.

As for swine, the stocks dropped, mainly because of difficulties in obtaining feed inputs, but the number of animals slaughtered increased. In poultry-breeding, slaughtering and, for the third consecutive year, egg production declined.

ii) *Fishing.* After several years of sustained growth, fishery production fell by nearly 5%. This was a result of a decrease in the catch of fish and shellfish and was, partially due to the shortage of foreign exchange, which by impeding the adequate maintenance of the fleet, hindered the operation of fishing vessels.

iii) *Petroleum, mining and metallurgy.* The shortage of equipment and accessories for both extraction and transport delayed the entry into operation of some wells and the introduction of certain technological changes, which had an unfavourable effect on production. These negative factors were partially offset by the expansion of the processing capacity of one refinery by 1.5 million tons of petroleum a year (see table 6).

The efforts to save petroleum were redoubled, but the impression exists that, without a technological reconversion, it will be difficult to attain significant additional achievements. This is responsible for the construction of some work such as the industrial plant which uses French technology to replace petroleum. In ferrous mining and metallurgy, the production of refractory chromium again expanded, owing to the opening of a mine and a plant with a capacity to process around 38 000 tons a year. Outstanding developments in the field of non-ferrous mining and metallurgy included the increased production of nickel plus cobalt and of copper concentrate.

iv) *Manufacturing*. Due to the shortage of raw materials imported from market-economy countries, the narrow external bottleneck had an especially harsh impact on manufacturing, which plummeted by more than 4%. The decline was steepest in industries producing non-durable and durable consumer goods and capital goods (see tables 7 and 8).

The slump in the production of industrially processed foods and of beverages and tobacco was responsible for one of the most critical situations in the country, which was due to the erosion in the domestic supply of items of great importance for meeting the needs of Cubans. It was not possible to offset this phenomenon by imports given the precarious situation of foreign exchange in freely convertible currency. Mention should also be made of the fall in the level of activity of the sugar industry as a consequence of the shrinkage in the sugar harvest (see table 9).

In contrast, the textile and ready-made clothing branches expanded. In the case of the former, a plant using Soviet technology went into operation while in the manufacture of ready-made clothing, a complex using Japanese technology was opened.

Finally, the production of building materials climbed by 6% in a country which suffers from a severe shortage of a number of important inputs, including paints, dyes and chemicals in general.

v) *Construction*. Traditionally the fastest growing sector in terms of the global social product, in 1987 construction was the sector most severely affected by the recession as reflected by the fact that its level of activity dropped by over 7% (see table 10). This caused the authorities to step up the application of measures to optimize the allocation of resources. Thus, priority was given to the rapid termination of works in progress—especially those in the areas of public health and education—and to the moving up of deadlines for the construction of dwellings while at the same time the number of projects initiated fell.

The scarcity of external financing made it difficult to import inputs for domestic work in this sector and items needed for works under way. Be that as it may, work was completed on some 27 000 dwellings, thanks largely the so-called "micro-brigades", made up of human resources from different job centres. Finally, impetus was given to the remodeling of part of the city of Havana, an attempt being made to encourage the remodeling not only of dilapidated buildings but also of other types of structures in the capital.

With regard to institutions, attention shall be drawn to the creation of the Ministry of Building Materials in order to give greater importance to the production of inputs for the sector.

vi) *Electricity*. Gross electricity generation increased again, this time by more than 3% owing to the entry into operation of new plants. During the year Unit 1 of the thermoelectric plant at East Havana with a capacity of 100 megawatts per year was put into operation, and construction was underway on Unit 6 of the 10 de octubre Thermoelectric Plant whose capacity will be increased by 125 megawatts.

As part of the intense electricity conservation campaign, the price of a kilowatt of electricity was raised from 6.5 pesos to 9 pesos, and sanctions were laid down against enterprises which abused the use of this energy source. The provisions made in respect of rates seem to explain the reversal of the sustained trend towards the growth of residential consumption (see table 11).

3. The external sector

a) *Merchandise trade*

i) *Exports of goods*. Following the decline of 11% recorded the preceding year, which had been due mainly to the drop in the international prices of hydrocarbons, the nominal value of goods exports rallied by slightly more than 1%. The recovery was almost exclusively the result of the increase in oil re-exports made possible by a greater domestic petroleum conservation effort in combination with a recovery of international prices (see table 12).

The share of the market-economy countries in exports decreased again, this time to 11%, a figure that can be compared with that of nearly 30% in 1980. In response to this decline, the share of external sales to socialist countries other than the Soviet Union increased.

Sugar sales diminished slightly because of the decline in shipments to the Soviet Union, although sugar exports to the other socialist countries increased. In addition, the contraction in supply led to a drop in shipments to the market-economy countries. A similar pattern was established in the case of non-sugar export in that exports to the Soviet Union declined, but those to the rest of the countries members of CMEA rose in a very gratifying manner while those to the market economy countries showed a smaller increase (see tables 13 and 14).

Notable increases occurred in external sales of tobacco, nickel, ocean products and some farm commodities previously confined to domestic consumption. The diversification of exports continued to receive substantial credit support despite the severe financial restrictions.

For the purpose of broadening the exportable base and diversifying markets, a number of compensated exchange agreements were signed with other developing countries, both in and outside of Latin America. In many of these cases, the most important trade restriction was the shortage of freely convertible currency.

ii) *Imports of goods.* The total value of imports of goods rose slightly, but the pattern of the flows from the socialist countries and that of the flows from the market-economy countries differed markedly. In the first case, imports increased, especially those of capital and consumer goods — a development largely attributable to the limited domestic supply. In contrast, the external financial bottleneck put an even larger constraint on purchases from market-economy countries, which fell by 20%, their very structure also changing. Thus, the supply of consumer and intermediate goods was affected, and even more so, that of capital goods (see tables 15, 16 and 17).

Cuban purchases from countries in Latin America and the Caribbean rose to some 260 million pesos as opposed exports valued at 45 million pesos, as a result of which its trade deficit with the region increased to nearly 220 million pesos.

The sharp drop in imports paid for in freely convertible foreign exchange was due to the coming into force of rigorous containment measures. In fact, in an effort to cope with the financial difficulties experienced, it was stipulated that imports in 1987, measured at constant prices, should not exceed 50% of those required in order to obtain a volume of production similar to that recorded in 1982.

iii) *The terms of trade.* After the significant recovery observed in 1986, the price obtained for sugar in freely convertible currency fell by more than 10% while the prices of imports from market-economy countries showed some increase. These two factors together were reflected in a significant deterioration in the terms of trade.

b) *The balance of payments in freely convertible currency*

The deficit on current account in freely convertible currency nearly doubled, rising from around 400 million pesos to 750 million pesos. Earnings from tourism grew thanks to the expansion of the country's hotel capacity and advertising campaigns carried out abroad. However, this increase was offset by the drop in revenue from other sources (such as that received from the Cuban fleet, which carried less freight) or by larger expenditure in some categories (see table 18).

Gross international reserves in September were 50 million pesos higher than they had been the same month of the previous year while net reserves showed a decrease. On the other hand, cash and deposits in freely convertible currency in foreign banks recovered somewhat, but their value was not half that recorded in 1985. Deposits in transferable rubles in foreign banks became the most significant component of gross international reserves (see table 19).

c) *External indebtedness in freely convertible currency*

In the first nine months of 1987 the total debt in freely convertible currency increased sharply, rising from 3.9 billion pesos to more than 5.5 billion. Difficulties in servicing the external debt were also on the rise with the result that at the end of the year the country was close to 2.6 billion pesos in arrears with its creditors (see table 20). Technically, the external debt in freely convertible currency

continued to increase because of the impact had by the debt contracted in hard currencies, such as the German mark or the Japanese yen, which were revaluated to the detriment of the dollar.

As a consequence of those problems, the terms of trade with the market-economy countries deteriorated sharply. This meant that the country's external supply priorities had to be more rigorously defined, which reduced the leverage of the economic policy.

4. Employment, wages and prices

a) *Employment*

The number of workers in civilian employment rose by somewhat more than 1%, the lowest growth rate in the decade so far. The product declined by more than 3% so labour productivity plummeted² (see table 21).

The greatest increase in that part of the labour force which is engaged in civilian employment was almost completely absorbed by the agricultural sector, where use of human resources increased by more than 5%, which was higher than the rate recorded in 1986. Thus, the number of workers engaged in agricultural activities returned to the level at which it had stood five years previously. The mechanization of numerous field chores at the beginning of the decade had favoured the transfer of workers to more typically urban activities in a trend which was reversed in the past two years when it became impossible to use the new machinery to full advantage in harvesting crops.

The construction sector is shown as employing fewer workers, which may well be partly due to the fact that no account is taken of the contribution made by the "micro-brigades", those data being recorded in the relevant job centres.

The increase in the number of workers in the non-productive civilian sphere as a whole was very scant (0.6%), although it was somewhat higher in the public health and social welfare, sports and tourism sectors.

b) *Wages*

The average nominal wages in the State civilian sector fell for the first time in the 1980s. This decline was greatest in the productive sphere, especially in transport and construction. On the other hand, in the non-productive sphere the average wage was similar to that paid the preceding year although the workers in the fields of public health and social welfare, sports and tourism, science and technology and education, culture and the arts saw their position improve by comparison with those working in community and personal services and in public administration (see table 22).

The decreases in average wages may be partially due to changes in the composition of the occupational categories of each sector, which itself is attributable to inter-sectoral transfers. However, part of the blame can be laid on the elimination of the practice of paying wages, particularly wages in the mobile sector, to workers whose performance exceeded the work standards and who used to receive high bonuses and overtime pay regardless of the production figures attained. Wage hikes amounting to some 75 million pesos paid to approximately 700 000 low-income workers and the rise in the minimum wage to 100 pesos a month kept remunerations from deteriorating further. Social security pensions were also improved.

c) *Prices*

In Cuba there are three distinct markets which can distribute one and the same product at different prices —the regulated or rationed market; the state parallel market, which retails, in unlimited quantities, goods which are also sold in the regulated market, and the decontrolled state market which sells any product without any type of restriction.

The final statistics on retail trade show no variation in price movements and market structures due to settlements made among its components. In fact, at the beginning of the year, the prices of

²According to official information, the unemployment rate in Cuba is minimal and purely "frictional". This is in accordance with the principle that there should be no open unemployment in the country.

pasteurized milk and rice rose in the parallel market as did that of yogurt, which is decontrolled. However, during the year, the prices of various items, including olive oil, footwear, toys, clocks and watches, furniture and some home electrical appliances (fans and radios), declined. The overall price variations (upwards and downwards) may also have been attributable to the sudden changes in commodity supplies.

At the same time, the prices and tariffs charged for some public services, such as electricity and, to a lesser extent, transportation, increased.

5. Monetary and fiscal policy

Both the programming and the behaviour of the State's monetary and budgetary variables were severely affected by the rigidities due to the short supply of freely convertible foreign exchange and the weak or virtually non-existent support from external financing sources.

a) *Monetary policy*

The factors of monetary expansion (workers' incomes, other personal remunerations, interest paid on savings deposits and bank loans for consumption) behaved negatively for the first time in the 1980s. This negative trend was, however, less intensive than the growth of the global social product since employment continued to rise. As for the factors of monetary contraction (principally expenditure on goods and services and amortization payments on loans for consumption) they remained stable.

A restrictive monetary policy had to be applied with the result that the variation in liquidity was insignificant and money outside of banks, which had dropped markedly in 1986, barely fell at all (see table 23). Savings deposits also experienced almost no variation with the result that deposits in the People's Savings Bank, established four years earlier, were lower than in previous years.

The monetary restrictions resulted in a decline (-4%) in the number of credits to the population, while at the same time the total value of personal loans grew by close to 8%. The largest loans continued to be for the purchase of household appliances.

Attention should be drawn to the existence of the International Finance Bank, which, although linked to the National Bank of Cuba, is not a part of the state banking system and is engaged in commercial transactions. It receives deposits in freely convertible currency, has offices which represent foreign commercial entities and maintains relations with the Diplomatic Corps and private mixed-capital enterprises. It also helps to finance national economic activity using for that purpose a general line of housing credit, bonus through the People's Savings Fund and other means (see table 24).

b) *Fiscal policy*

The final result of the execution of the State budget revealed one of the major problems of the country's economy. The same problem had already been apparent in 1986, when a drop of nearly 5% in current revenue forced the authorities to adopt a number of provisions to cushion the effects of the steady reduction in the supply of freely convertible currency on the domestic economy and in particular on state finances. These measures were aimed primarily at promoting enough savings of foreign exchange to keep the living conditions of the population from deteriorating (see table 25).

The nominal earnings of the State were the lowest in five years and 4% lower than earnings in 1986. Earnings from the circulation tax, which come to nearly half the total tax receipts, contracted at a rate similar to the rate of decrease of total earnings, while the revenue from the tax on business profits dropped by 7%. The only item which increased (by almost 140 million pesos) was that corresponding to the foreign trade price differential.

As for total expenditure, after having already decreased considerably in 1986, they declined at a lower rate than income. The combination of these trends meant that the budgetary deficit (525 million pesos) was nearly three times as high as it had been the previous year. In absolute values, the domestic financial imbalance was less acute than in 1983, but in qualitative terms, it was more serious in that it coincided with a very precarious situation with regard to external liquidity in freely convertible currency.

Because of the precariousness of domestic finances, the criteria for establishing the priorities for spending were made very strict. Although the crisis undoubtedly had a wider impact than in 1986, the consumption of the population was affected only slightly, and in addition investments regarded as essential continued to be executed.

Thus, while the current expenditure on budgeted and entrepreneurial activity grew by slightly more than 400 million pesos (almost 5%), spending on investments fell by some 500 million pesos (-16%). As for the object of the spending, that for administration, defence and domestic law and order declined, while that for housing and community services, the social sectors and the productive sphere increased. Even so, the latter items expanded less than had been predicted, causing problems in the functioning of services and a shortage of some articles from market economy countries while stocks were reduced and some of them were even depleted.

As for education, an attempt was made to continue to improve the existing systems, above all the university system, and consideration was given to the advisability of discontinuing broadly based curricula and giving greater impetus to specialized studies. In addition action was undertaken to increase the number of educational centres offering semi-boardng facilities, and play groups were seriously encouraged. With respect to health, the "family doctor" plan was expanded substantially.

In addition, the Study Commission on Reforms in the Economic Management System was established on the basis of the policy defined in 1986; one of the policy's main goals is to analyse the contribution of various institutions to the increase in productivity.

Table 1

CUBA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Basic economic indicators							
Global social product (millions of 1981 pesos) ^b	22 173	23 029	24 149	25 890	27 070	27 388	26 424
Population (thousands of inhabitants) ^c	9 724	9 801	9 897	9 994	10 098	10 199	10 301
Per capita global social product (1981 pesos)	2 280	2 349	2 440	2 591	2 681	2 685	2 565
Growth rates							
Global social product	16.0	3.8	4.9	7.2	4.6	1.2	-3.5
Per capita global social product	16.0	3.0	3.9	6.2	3.5	0.2	-4.5
Current State income	15.0	-7.5	21.4	-2.3	3.7	-4.8	-3.6
Total State expenditure	20.0	-12.2	12.2	4.7	5.2	-5.3	-0.7
Budgetary deficit/total State expenditure ^d	6.7	1.7	-6.4	0.6	2.0	1.6	4.4
Budgetary deficit/global social product ^d	3.5	0.7	-3.0	0.3	0.9	0.7	...
Average annual wage	14.7	3.8	2.2	3.3	1.0	0.1	-2.1
Current value of exports of goods							
Total	6.5	16.8	12.2	-1.1	9.4	-11.1	1.4
Sugar	14.3	15.4	8.1	1.1	7.7	-8.4	-2.0
Current value of imports of goods							
Total	10.5	8.2	12.4	16.2	11.2	-5.8	0.6
Petroleum and petroleum products	27.6	28.3	24.3	19.4	19.7	-4.5	4.0
Millions of pesos							
External sector							
Trade balance (goods)	-890	-597	-687	-1 752	-2 043	-2 244	-2 210
Soviet Union	-877	-459	-363	-830	-937	-1 380	-1 628
Other socialist countries	-58	-271	-286	-334	-501	-333	-267
Rest of world	45	133	-38	-588	-605	-531	-315
Balance on current account ^e	51	297	263	-212	-506	-398	-550 ^f
Balance on capital account ^e	-52	-539	-74	106	554	254	563 ^f
Variation in international reserves ^e	-1	-242	-189	-106	48	-144	13 ^f
Disbursed external debt ^e	3 170	2 669	2 790	2 989	3 621	3 870	5 555 ^f

Source: ECLAC, on the basis of data supplied by the State Statistical Committee, the National Bank of Cuba and other international statistics.

^a Preliminary figures. ^b See footnote * of table 4. ^c Annual average, taking migratory movements into account. ^d Percentages. ^e In freely convertible currency. Excludes much of the trade with member countries of the Council for Mutual Economic Assistance (CMEA). ^f Balances up to September.

Table 2

CUBA: INDICATORS OF PER CAPITA CONSUMPTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Foodstuffs										
Calories (units/day)	2 910	2 955	2 929	2 948	2 905	1.3	1.5	-0.9	0.6	-1.5
Proteins (grams/day)	77.4	78.9	79.0	79.7	77.6	1.6	1.9	0.1	0.9	-2.6
Meat ^b	40.8	41.7	43.1	43.0	41.4	3.8	2.2	3.4	-0.2	-3.7
Fish ^{bc}	18.6	18.0	19.5	19.9	18.0	3.9	-3.2	8.3	2.1	-9.6
Milk and milk products ^b	150.7	153.3	151.3	151.1	147.3	-1.4	1.7	-1.3	-0.1	-2.5
Eggs (units)	246	250	242	244	238	8.8	1.6	-3.2	0.8	-2.5
Cereals ^b	108.7	112.0	109.9	112.3	110.0	2.2	3.0	-1.9	2.2	-2.0
Fats ^b	17.4	17.4	17.8	17.6	17.8	-2.8	-	2.3	-1.1	1.1
Vegetables ^b	53.0	55.4	57.5	57.3	57.8	-10.5	4.5	3.8	-0.3	0.9
Roots and tubers ^b	76.4	79.6	77.0	79.5	73.9	4.9	4.2	-3.3	3.2	-7.0
Fruits ^b	62.7	56.9	62.7	59.5	60.4	0.5	-9.3	10.2	-5.1	1.5
Beans ^b	11.5	11.9	12.0	11.8	11.9	4.5	3.5	0.8	-1.7	0.8
Sugar ^b	54.4	54.8	53.1	52.8	52.8	0.7	0.7	-3.1	-0.6	-
Industrial products										
Textiles (m ²)	...	...	3.7	4.6	6.3	...	...	...	24.3	36.9
Outer clothing (units)	4.7	4.8	4.2	4.5	5.0	-	2.1	-12.5	7.1	11.1
Underclothing (units)	6.6	6.8	6.2	7.5	6.6	-13.2	3.0	-8.8	21.0	-12.0
Footwear (pairs)	2.9	2.6	2.6	2.3	2.7	-3.3	-10.3	-	-11.5	17.4
Durable goods^d										
Television sets	74	76	76	79	79	10.4	2.7	-	3.9	-
Refrigerators	36	40	46	49	53	-	11.1	15.0	6.5	8.2
Washing machines	42	47	50	54	56	13.5	11.9	6.4	8.0	3.7
Radios	125	126	136	134	134	2.5	0.8	7.9	-1.5	-

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aPreliminary figures. ^bKilogrammes. ^cIn terms of whole fish. ^dOwnership per 100 homes, in units.

Table 3

CUBA: USE OF GLOBAL SOCIAL PRODUCT AT 1981 PRICES

	Millions of pesos at 1981 prices			Percentage breakdown		Growth rate				
	1985	1986	1987 ^a	1981	1987 ^a	1983	1984	1985	1986	1987 ^a
Global social product	27 070	27 388	26 424	100.0	100.0	4.9	7.2	4.6	1.2	-3.5
Intermediate consumption	12 809	13 397	13 126	48.1	49.7	4.2	6.9	5.1	4.6	-2.0
Final consumption	10 691	10 976	10 820	42.5	40.9	2.7	4.9	2.4	2.7	-1.4
Consumption of the population	9 519	9 756	9 685	...	36.7	...	...	...	2.5	-0.7
Personal consumption	8 144	8 331	8 299	...	31.4	...	...	...	2.3	-0.4
Consumption of organizations serving the population	1 375	1 425	1 386	...	5.2	...	...	...	3.6	-2.7
Consumption of organizations meeting collective needs	1 172	1 220	1 135	...	4.3	...	...	...	4.1	-7.0
Net capital formation	3 714	2 610	1 982	13.3	7.5	16.5	24.3	7.5	-29.7	-24.1
Fixed capital	3 098	2 789	2 044	...	7.7	...	...	...	-10.0	-26.7
Stocks	616	-179	-62	...	-0.2	...	...	...	...	...
Losses	82	78	74	0.2	0.3	-4.7	7.8	97.1	-4.9	-5.1
Exports minus imports ^b	-267	384	404	-3.6	1.5	...	...	...	...	...
Statistical discrepancies	42	-57	17	-0.5	0.1	...	...	...	...	...

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aPreliminary figures. ^bOf productive goods and services.

Table 4

CUBA: GLOBAL SOCIAL PRODUCT BY ECONOMIC SECTORS^a

	Millions of pesos at 1981 prices				Percentage breakdown			Growth rates				
	1984	1985	1986	1987 ^b	1970 ^c	1980	1987 ^b	1983	1984	1985	1986	1987 ^b
Global social product	25 890	27 070	27 388	26 424	100.0	100.0	100.0	-4.9	7.2	4.6	1.2	-3.5
Material product	17 261	18 174	18 456	17 754	67.8	66.6	67.2	-4.0	9.0	5.3	1.6	-3.8
Agriculture, forestry and fishing	3 917	3 970	4 097	4 006	14.7	17.7	15.2	-0.5	6.3	1.4	3.2	-2.2
Agriculture	3 507	3 538	3 642	3 565	13.9	16.2	13.5	-1.8	5.8	0.9	2.9	-2.1
Sugar-cane agriculture	1 003	1 001	1 016	996	6.7	5.1	3.8	-8.1	3.4	-0.2	1.5	-1.9
Non-sugar-cane agriculture	903	933	1 000	978	3.1	3.9	3.7	-5.2	6.0	3.3	7.3	-2.2
Livestock-raising	1 564	1 567	1 587	1 558	4.1	7.1	5.9	5.4	7.0	0.3	1.2	-1.8
Agricultural services	37	37	39	33	-	0.1	0.1	-5.7	12.1	0.3	5.2	-13.5
Forestry	118	121	124	126	0.2	0.4	0.5	28.6	9.3	2.5	2.5	1.5
Fishing	292	311	331	315	0.6	1.1	1.2	7.4	11.9	6.5	6.5	-4.8
Industrial	11 037	11 862	11 996	11 555	47.9	41.1	43.7	4.5	8.6	7.5	1.1	-3.7
Electric power	535	536	579	602	1.5	2.0	2.3	2.9	6.6	0.2	7.9	4.0
Mining and metallurgy	266	292	329	323	0.8	1.2	1.2	8.8	-2.2	9.8	12.7	-1.8
Manufacturing	10 236	11 034	11 088	10 630	45.5	37.9	40.2	4.5	9.0	7.8	0.5	-4.1
Construction	2 307	2 342	2 363	2 193	5.2	7.8	8.3	10.4	16.0	1.5	0.9	-7.2
Non-material product	8 629	8 896	8 932	8 670	32.2	33.4	32.8	6.6	3.8	3.1	0.4	-2.9
Transport	1 855	1 874	1 850	1 814	9.4	7.2	6.9	3.5	7.5	1.0	-1.3	-1.9
Communications	227	239	257	266	0.8	0.8	1.0	9.6	10.2	5.3	7.5	3.3
Commerce ^d	6 386	6 594	6 619	6 383	22.0	25.0	24.2	7.2	2.3	3.3	0.4	-3.6
Other productive activities ^e	161	189	206	207	-	0.4	0.8	17.5	14.2	17.4	9.5	-

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aThe global social product is equivalent to the value of gross production. According to official sources, "the basic criterion for identifying gross production and assigning it to a given sector, branch and sub-branch is the basic type of activity of the enterprise, establishment or department with an independent balance in which the economic activity is carried out" (see State Statistical Committee, *Bases metodológicas del sistema de balances de la economía nacional*, Havana, November 1981, p. 9). Consequently, the information contained in this table does not relate solely to sectors and branches of origin; the classification adopted records not only the main production of the entrepreneurial units but also the secondary production carried out in those units, whether or not it corresponds, by origin, to the same branch of activity. If a system of classification based solely on sectors of origin were adopted (in accordance with the criterion adopted by the United Nations in the ISIC), the conclusions at sectoral and branch levels would be different. Thus, the data on the agricultural sector include secondary production of industry and construction not computed in these sectors. Nevertheless, these differences are cancelled out in the total material product.

^bPreliminary figures.

^cAt 1965 prices.

^dIncludes public food supply, external trade, technical and material supplies, agricultural inventories collection of scrap iron and useful raw materials as well as domestic wholesale and retail trade.

^eIncludes work on technical projects, mechanical and automatic data processing and other productive activities.

Table 5

CUBA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1983	1984	1985	1986	1987 ^a	Growth rates					
							1982	1983	1984	1985	1986	1987 ^a
Crop production^b												
Grains												
Rice	478	518	555	524	576	466	14.4	-0.4	7.2	-5.6	9.8	-19.1
Maize	23	30	29	32	36	42	-7.2	38.7	-	10.3	11.1	17.2
Beans	9	13	12	11	14	13	48.9	4.6	-7.9	-8.3	22.7	-7.4
Vegetables												
Tomatoes	207	153	228	271	254	211	-27.3	-32.3	53.6	18.9	-6.2	-17.1
Onions	10	10	14	32	18	22	-7.1	-32.9	40.0	114.1	-42.4	22.5
Peppers	45	23	27	35	32	51	1.4	-33.7	17.4	31.6	-9.6	58.4
Tubers and roots												
Potatoes	239	207	259	307	317	250	-5.4	-20.0	25.1	18.5	3.0	-21.1
Boniato	228	201	163	178	150	188	-11.2	13.3	-18.9	9.2	-15.8	25.5
Malanga	161	45	53	47	64	42	-54.1	-0.8	17.8	-9.9	35.9	-35.0
Fruits												
Citrus fruit	444	631	599	745	786	886	12.6	19.1	-5.1	24.3	5.6	12.6
Oranges	298	400	371	406	447	496	31.5	18.0	-6.2	9.4	10.1	10.9
Lemons	25	30	48	60	59	75	34.2	-26.4	60.0	25.0	-2.0	26.2
Grapefruit	84	165	155	241	250	285	-11.1	29.2	-6.0	55.5	3.6	14.0
Bananas	233	313	392	345	317	284	4.2	15.4	25.4	-12.2	-8.0	-10.7
Mangoes	59	39	38	86	61	81	-8.7	-25.3	-2.6	126.3	-29.1	32.8
Guavas	46	50	50	59	47	38	-	17.8	0.6	16.3	-19.5	-19.3
Tobacco	8	30	45	45	46	41	-17.7	-32.7	50.0	-	2.2	-10.3
Coffee	19	18	22	24	23	25	32.5	-35.8	22.2	8.6	-4.2	8.3
Cocoa	1	2	2	2	2	2	-2.3	16.9	11.1	-5.3	10.5	4.8
Fibre crops												
Kenaf	10	20	20	19	14	12	-4.5	26.1	-0.5	-5.0	-29.7	-11.9
Henequen	206	228	226	240	247	254	56.5	9.2	-0.9	6.2	3.1	2.8
Cultivated pasture, fodder	43	38	34	31	35	39	0.9	-	-10.5	-8.8	11.7	9.9
Livestock^c												
Stocks												
Cattle ^{d,e}	5 057	5 101	5 115	5 020	5 007	4 984	0.3	-0.3	0.3	-1.9	-0.2	-0.5
Dairy cows ^d	398	412	408	406	392	384	1.7	-1.3	-1.0	-0.5	-3.6	-1.8
Swine ^d	765	911	1 009	1 038	1 101	1 093	1.5	6.7	10.8	2.9	6.1	-0.7
Poultry ^f	25	26	27	26	26	26	-3.9	11.7	3.8	-3.7	-0.8	1.1
Animals slaughtered ^g												
Cattle	293	303	302	299	302	290	-1.4	0.9	-0.3	-1.0	1.1	-4.1
Swine	58	76	86	95	100	106	3.7	7.2	13.2	10.5	5.7	5.8
Poultry	91	90	107	113	113	109	-26.1	18.4	18.9	5.6	0.3	-3.4
Other production												
Milk ^h	889	948	943	929	926	940	-0.3	2.1	-0.3	-1.7	-0.3	1.5
Eggs ^h	2 327	2 493	2 557	2 524	2 519	2 496	-4.8	11.0	2.6	-1.3	-0.2	-0.9
Honey ^{e,i}	7	10	9	10	9	8	13.5	1.0	-10.0	11.1	-10.3	-11.5

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aPreliminary figures. ^bThousands of tons, with the exception of henequen, expressed in millions of bunches, and cultivated pasture and fodder, in millions of tons. ^cIn State firms. ^dThousands of head. ^eIncluding the non-State sector. ^fMillions of head, final stock. ^gThousands of tons of live weight. ^hMillions of units. ⁱTons.

Table 6

**CUBA: PRINCIPAL PETROLEUM, MINING AND
METALLURGICAL PRODUCTION**

	Thousands of tons					Growth rates					
	1980	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Petroleum and petroleum products											
Crude petroleum extraction	274	770	868	938	895	13.7	37.0	3.8	12.7	8.1	-4.6
Crude petroleum refining	6 333	6 616	6 587	6 577	6 827	1.6	0.1	0.5	-0.4	-0.2	3.8
Petroleum fuel	3 026	3 340	3 318	3 314	3 379	2.2	6.8	-2.2	-0.7	-0.1	1.9
Diesel fuel	1 099	1 020	979	992	1 085	-0.1	-5.2	-3.8	-4.0	1.3	9.4
Natural gas ^b	18	3	7	6	24	-19.5	-22.4	-62.5	133.3	-17.4	319.3
Gasoline	807	984	953	979	960	-14.4	5.1	10.6	-3.2	2.7	-1.9
Ferrous mining and metallurgy											
Refractory chromium	29	38	38	50	52	33.2	23.1	12.8	-	32.6	4.8
Ordinary steel	292	325	401	412	402	-8.6	20.8	-10.7	23.4	2.5	-2.4
Textured steel bars	258	270	300	312	313	-26.0	18.4	12.2	12.0	3.9	0.3
Non-ferrous mining and metallurgy											
Nickel plus cobalt (metal content)	38	33	34	35	36	-6.6	4.4	-15.6	-	4.5	2.0
Copper concentrate ^c (metal content)	3 361	2 701	3 076	3 257	3 461	-9.0	0.8	1.2	13.9	5.9	6.3

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aPreliminary figures.

^bMillions of cubic metres.

^cTons.

Table 7

CUBA: INDICATORS OF MANUFACTURING PRODUCTION^a

	Index of material production (1975 = 100)					Growth rates					
	1980	1984	1985	1986	1987 ^b	1982	1983	1984	1985	1986	1987 ^b
Total^c	110.5	156.7	168.9	169.7	162.7	4.4	4.5	9.2	7.8	0.5	-4.1
Non-durable consumer goods industry	104.2	150.1	161.7	160.2	151.8	6.6	2.1	8.3	7.8	-0.9	-5.3
Foodstuffs (excluding sugar)	115.5	148.4	156.8	159.0	158.4	2.4	7.6	5.1	5.7	1.4	-0.4
Sugar and sugar products	112.6	137.1	139.2	132.3	121.1	2.3	-3.7	5.8	1.5	-5.0	-8.4
Beverages and tobacco	84.0	160.5	182.0	178.5	159.7	15.8	0.5	13.8	13.4	-1.9	-10.5
Ready made clothing	115.9	159.6	172.4	188.1	208.4	-4.1	15.8	1.5	8.0	9.1	10.8
Printed matter	128.8	162.2	182.3	197.8	229.6	11.3	-12.9	14.6	12.4	8.5	16.1
Intermediate goods industry^c	107.1	122.2	131.4	133.9	135.9	-5.0	3.5	6.0	7.5	1.9	1.5
Textiles	115.0	140.2	175.6	192.7	217.7	-	5.6	2.8	25.4	9.7	13.0
Chemicals	109.8	128.8	141.3	142.7	137.2	-13.8	9.1	11.1	9.7	1.0	-3.9
Fuels	97.8	106.9	107.4	106.7	106.8	3.5	1.0	0.7	0.4	-0.6	0.1
Building materials	137.6	129.0	136.2	139.6	148.0	-4.2	-2.5	6.7	5.6	2.5	6.0
Consumer durables and capital goods industry	164.3	303.3	336.9	342.0	304.2	11.5	17.5	17.6	11.1	1.5	-11.0
Construction of non-electrical machinery	175.5	332.3	360.4	351.4	312.4	15.1	16.0	18.1	8.5	-2.5	-11.0
Electrotechnical and electronic goods	148.7	286.6	351.1	401.0	319.6	-8.4	28.4	24.8	22.5	14.2	-20.3
Metal products ^c	140.3	228.4	260.1	280.6	271.6	11.8	17.5	10.8	13.9	7.9	-3.2
Other manufactures^d	127.0	187.3	196.7	207.3	209.8	2.1	8.7	10.8	5.0	5.4	1.2

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^a At constant 1981 prices.^b Preliminary figures.^c Excluding basic metals.^d Including, *inter alia*, the leather, glass and ceramics, paper and pulp and forestry and timber processing industries.

Table 8

CUBA: MAIN INDUSTRIAL PRODUCTS

	Thousands of tons					Growth rates					
	1980	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Non-durable consumer goods (excluding sugar)											
Canned meat	35	62	64	66	64	17.6	13.3	12.7	4.4	3.1	-3.5
Wheat flour	269	422	442	443	454	9.0	11.0	-1.4	4.7	0.4	2.4
Canned fruit and vegetables	122	162	182	173	165	-7.9	12.6	9.5	12.3	-5.3	-4.6
Alcoholic beverages ^b	396	656	618	577	606	48.2	2.7	11.9	-5.7	-6.7	5.0
Twisted tobacco	167	302	366	340	279	55.6	-7.1	-9.4	21.2	-7.1	-18.1
Fisheries											
Gross catch	186	200	220	245	214	18.7	1.6	1.0	10.0	11.2	-12.4
Total catch unloaded	153	171	183	193	182	21.4	8.0	3.5	7.1	5.5	-5.6
Outer clothing ^c	44	51	52	58	61	10.7	2.4	-2.3	2.0	11.0	6.2
Intermediate consumer goods											
Textiles ^d	160	172	205	221	258	-10.8	11.1	1.2	19.3	7.5	16.9
Gray cement	2 831	3 347	3 182	3 305	3 535	-3.9	2.1	3.6	-4.9	3.9	7.0
Paints, enamels and varnishes ^b	158	236	241	222	191	-53.4	140.4	45.8	2.1	-7.8	-14.2
Sulphuric acid 98%	399	336	374	396	377	-19.4	7.0	-5.7	11.3	5.9	-5.0
Sodium hydroxide	3	18	14	21	18	-39.3	46.5	12.5	-22.2	51.8	-14.5
Superphosphate	18	10	15	3	9	-22.8	-60.6	11.1	50.0	-78.8	168.8
Ammonium nitrate	312	336	328	330	296	-42.0	-15.1	90.9	-2.4	0.7	-10.3
Complete fertilizers	1 060	1 036	1 160	1 045	996	-3.8	5.4	-4.2	12.0	-9.9	-4.7
Urea	16	65	81	75	68	-43.0	13.8	103.1	25.2	-7.5	-8.7
Bottles ^c	176	265	264	308	339	47.9	-19.5	41.7	-0.4	16.5	10.0
Unbleached and corrugated cardboard	22	19	16	21	19	4.4	-19.0	-9.5	-15.8	30.7	-9.2
Consumer durables and capital goods											
Refrigerators ^c	26	24	28	18	6	-56.5	-11.4	50.0	16.7	-33.8	-67.9
Radio-receivers ^c	200	253	236	237	227	-6.6	14.3	-7.3	-6.7	0.3	-4.0
Television sets ^c	40	92	94	102	56	-35.2	80.4	1.1	2.2	8.5	-55.6
Sugar-cane combines ^c	501	631	606	613	620	-0.5	8.0	-2.9	-4.0	1.2	1.1
Buses ^c	1 846	2 219	2 393	2 351	2 341	-3.8	16.2	19.2	7.8	-1.8	-0.4
Electric wire and cable											
Uninsulated ^h	2 547	2 069	2 785	3 002	2 600	-41.5	42.8	1.8	34.6	7.8	-13.3
Insulated ^h	38	52	64	77	53	-37.4	24.5	23.8	23.1	19.6	-31.1
Sanitary appliances ^c	298	336	338	371	387	12.8	-2.4	-3.9	0.6	9.7	4.3

Source: ECLAC, on the basis of figures supplied by the State Statistical Committee.

^aPreliminary figures.^bThousands of hectolitres.^cMillions of units.^dMillions of square

metres.

^eThousands of units.^fUnits.^gTons.^hThousands of kilometres.

Table 9

CUBA: BASIC INDICATORS OF THE SUGAR INDUSTRY

	Production (thousands of tons) ^a		Indus- trial yield (base 96 ^o) (percen- tages)	Days		Sugar-cane milled per day (tons)	
	Sugar-cane milled	Raw sugar (base 96 ^o)		Normal harvest	Actual	Normal harvest	Actual
1960	47 492	5 943	12.51	103	88	466 289	542 344
1965	56 687	6 156	10.86	130	105	388 449	482 050
1970	79 678	8 538	10.71	217	143	367 442	557 818
1975	50 770	6 314	12.44	123	99	413 747	513 521
1976	51 999	6 156	11.84	130	99	399 088	526 922
1977	56 149	6 485	11.55	142	104	395 774	542 951
1978	67 043	7 351	10.96	168	119	400 087	563 198
1979	73 050	7 992	10.94	182	128	402 320	571 424
1980	61 600	6 665	10.82	149	109	412 663	565 775
1981	66 408	7 359	11.08	136	114	489 100	580 300
1982	73 500	8 210	11.17	152	124	484 600	594 100
1983	68 687	7 109	10.35	160	113	429 600	608 900
1984	78 358	8 207	10.47	166	126	471 101	620 218
1985	66 756	8 004	11.99	135	103	495 228	646 498
1986	68 300	7 255	10.62	137	104	497 800	656 600
1987 ^b	66 892	7 117	10.64	141	99	473 300	673 900

Source: 1960-1970: Central Planning Board, Statistical Bureau, *Boletín Estadístico*, 1970; 1975-1984: *Anuario Estadístico de Cuba*, 1984, and for 1985 on: data provided by the State Statistical Committee.

^aHarvest year (end of November in one year to beginning of May in the following year).

^bPreliminary figures.

Table 10

CUBA: INDICATORS OF CONSTRUCTION

	Gross production (thousands of pesos at 1981 prices)				Percentage breakdown ^b		Growth rates				
	1984	1985	1986	1987 ^a	1980	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	2 307	2 342	2 363	2 193			10.4	16.0	1.5	0.9	-7.2
Construction and assembly	2 077	2 091	2 075	1 921	100.0	100.0	9.4	15.9	0.6	-0.8	-7.4
Agriculture	42	42	42	38	4.5	2.0	60.6	7.7	-	1.4	-9.0
Housing and urbanization	179	178	193	179	8.1	9.3	20.4	16.2	-0.2	8.0	-7.3
Education	74	53	56	52	7.6	2.7	23.4	51.0	-27.5	4.1	-6.7
Industry	440	477	419	388	22.9	20.2	20.2	16.4	8.4	-12.3	-7.3
Hidraulic works	69	75	71	65	7.9	3.4	-2.2	-2.8	8.2	-4.9	-8.5
Highways (excluding railways)	182	139	137	127	8.0	6.6	5.9	23.8	-23.6	-1.4	-7.7
Railways	40	39	38	35	4.4	1.8	9.2	17.6	-4.0	-0.8	-9.4
Hidrological works	35	39	50	46	1.9	2.4	20.6	16.7	11.4	28.1	-8.2
Maritime facilities	45	42	46	42	2.1	2.2	-18.5	25.0	-6.7	9.6	-7.0
Health facilities	44	40	58	54	2.3	2.8	-22.2	15.8	-9.1	47.1	-7.4
Electricity networks	20	19	16	15	1.0	0.8	15.5	5.3	-5.0	-16.1	-4.9
Communications networks	13	12	13	12	0.4	0.6	6.9	-13.3	-7.7	4.6	-9.4
Maintenance	381	416	413	382	10.4	19.9	27.0	22.9	9.2	-0.8	-7.3
Other buildings	292	277	289	267	10.3	13.9	-16.5	6.5	-5.2	4.4	-7.5
Other production marketed	221	229	223	207	7.6	10.8	14.9	14.5	3.7	-2.7	-7.1
Pipelines for oil and for gas	-	14	12	12	-	0.6	-	-	-	-20.1	-
Geological exploration, drilling and geodesic survey	148	160	174	168			30.7	12.1	7.7	8.7	-3.3
Design of construction projects	81	92	114	104			4.5	17.4	12.4	24.8	-8.8
Production of selected building materials											
Corrugated steel bars ^b	270	300	312	313			18.4	12.0	11.5	3.9	0.3
Steel bars ^b	272	335	342	350			16.5	-8.8	23.2	2.1	2.3
Gray cement ^b	3 347	3 182	3 305	3 535			2.1	3.6	-4.9	3.9	7.0
Prefabricated concrete ^c	905	961	954	849			8.7	8.6	6.1	-0.8	-11.0
Clay bricks ^b	128	147	148	152			12.5	2.4	14.8	0.7	2.8
Tiles ^d	66	72	72	75			17.0	13.8	9.1	-0.1	4.9
Sheet glass ^e	284	579	368	424			21.9	-17.7	103.9	-36.4	15.1

Source: ECLAC, on the basis of data from the State Statistical Committee, *Anuario Estadístico de Cuba, 1984*.^aPreliminary figures. ^bThousands of tons. ^cThousands of cubic metres. ^dMillions of units. ^eThousands of square metres.

Table 11

CUBA: ELECTRICITY INDICATORS

	GWh						Growth rates					
	1980	1983	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Gross generation	9 990	11 551	12 292	12 199	13 167	13 583	4.8	4.4	6.4	-0.7	7.9	3.2
Ministry of the Electricity Industry	8 679	10 107	10 803	10 739	11 638	11 995	4.8	4.8	6.9	-0.6	8.4	3.1
Ministry of the Sugar Industry	954	1 085	1 125	1 131	1 176	1 203	7.2	3.8	3.7	0.5	4.0	2.3
Enterprises producing nickel	265	270	251	209	234	212	3.0	1.5	-7.0	-16.7	11.8	-9.5
Other producers	92	89	113	120	119	174	-8.0	-19.9	27.0	6.2	-0.7	46.1
Consumption^b	7 330	8 100	8 722	8 635	9 145	9 361	9.8	0.7	7.7	-0.9	5.9	2.4
Industrial	3 003	3 621	3 314	3 229	3 466	3 582	21.2	-0.5	-8.5	-2.6	7.3	3.4
Agricultural	312	169	253	234	272	266	-30.4	-22.6	49.7	-7.5	16.3	-2.1
Commercial	...	...	351	331	328	334	...	...	...	-5.8	-0.7	1.7
Residential	2 087	2 312	2 485	2 682	2 899	2 831	5.2	10.8	7.4	7.9	8.1	-2.4
Others	...	...	2 319	2 159	2 180	2 348	...	...	...	-6.9	1.0	7.7

Source: ECLAC, on the basis of statistics supplied by the State Statistical Committee.

^a Preliminary figures.^b Excludes de consumption of the Ministry of the Sugar Industry, nickel-producing enterprises and that corresponding to the electricity generated by "other producers".

Table 12

CUBA: TRENDS IN EXPORTS OF GOOD, FOB

	Millions of pesos				Percentage breakdown		Growth rates				
	1984	1985	1986	1987 ^a	1980	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	5 477	5 992	5 325	5 401	100.0	100.0	12.2	-1.1	9.4	-11.1	1.4
Soviet Union	3 952	4 482	3 934	3 868	56.8	71.6	18.0	1.8	13.4	-12.2	-1.7
Other socialist countries	956	850	765	930	13.5	17.2	-	8.3	-11.1	-10.0	21.5
Other countries	568	660	626	604	29.7	11.2	1.4	-26.2	16.2	-5.2	-3.6
Re-exports^b	501	508	229	308	2.4	5.7	87.5	1.6	1.4	-54.9	34.3
Rest of sales	4 976	5 483	5 096	5 093	97.6	94.3	8.0	-1.3	10.0	-7.1	-0.1
Soviet Union	3 452	3 986	3 705	3 560	54.4	65.9	12.0	1.9	15.5	-7.1	-3.9
Other socialist countries	956	850	765	930	13.5	17.2	-	8.3	-11.1	-10.0	21.5
Other countries	568	647	626	604	29.7	11.2	1.3	-26.2	13.9	-3.3	-3.6
Sugar sales	4 123	4 442	4 070	3 987	82.7	73.8	8.1	1.1	7.7	-8.4	-2.0
Soviet Union	3 168	3 660	3 373	3 240	51.1	60.0	11.8	2.5	15.5	-7.9	-3.9
Other socialist countries	770	628	514	623	10.8	11.5	1.4	7.8	-18.4	-18.1	21.3
Other countries	185	153	183	124	20.8	2.3	-10.0	-31.7	-17.3	19.4	-32.2
Non-sugar sales	853	1 042	1 026	1 106	14.9	20.5	7.3	-11.5	22.2	-1.5	7.8
Soviet Union	284	326	332	320	3.3	5.9	13.8	-4.1	15.0	1.8	-3.5
Other socialist countries	186	222	251	306	2.6	5.7	-5.6	10.1	19.4	13.2	21.9
Other countries	383	494	443	480	9.0	8.9	8.7	-23.2	29.0	-10.2	8.3
Metallic minerals and scrap	299	331	335	360	4.8	6.7	-5.8	-2.6	10.7	1.2	7.4
Tobacco	57	92	78	91	0.9	1.7	-0.9	-44.7	64.3	-15.5	16.5
Citrus fruit	118	144	149	163	1.0	3.0	22.4	-1.7	22.0	3.8	8.9
Fishery products	92	120	125	143	2.2	2.6	6.1	-12.4	30.4	4.1	15.0
Naphtha	32	54	22	39	1.8	0.7	6.0	-54.3	68.7	-58.7	75.8
Coffee, cocoa and others	20	39	47	44	0.6	0.8	20.5	-57.4	94.0	20.8	-6.8
Alcoholic beverages	35	22	16	13	0.6	0.2	11.5	20.6	-38.2	-26.6	-20.6
Others	164	182	239	238	2.9	4.4	30.7	-10.4	11.0	31.5	-0.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bRe-exports of fuel to the Soviet Union in freely convertible currency.

Table 13

CUBA: PRODUCTION, EXPORTS AND EXPORT PRICES OF SUGAR

	Thousands of tons ^a		US cents per pound		
	Sugar production ^b	Sugar exports	Price paid by the Soviet Union ^c	Price received by Cuba in freely convertible currency ^d	Price on the world market ^e
1970	7 559	6 906	5.94	...	3.68
1971	5 950	5 511	6.41	...	4.50
1972	4 685	4 140	6.45	...	7.27
1973	5 383	4 797	11.82	...	9.45
1974	5 926	5 491	19.30	...	29.66
1975	6 427	5 744	26.36	...	20.37
1976	6 151	5 764	27.43	...	11.51
1977	6 953	6 238	26.94	...	8.10
1978	7 662	7 197	36.71	...	7.82
1979	7 800	7 199	37.17	...	9.65
1980	6 805	6 170	47.39	24.20	28.15
1981	7 926	7 055	35.10	...	16.88
1982	8 039	7 727	39.00	11.20	8.38
1983	7 460	7 011	46.00	9.00	8.56
1984	7 783	7 007	44.00	6.46	5.18
1985	7 889	7 206	45.00	3.92	4.05
1986	7 467	6 697	50.60	7.04	6.05
1987 ^f	7 232	6 479	41.90	6.20	6.80

Source: ECLAC, on the basis of figures from the *Anuarios estadísticos de Cuba*; the State Statistical Committee, the statistical yearbooks of the Soviet Union and other international data.

^aRaw sugar, base 96° of polarization. ^bCalendar year. ^cRefers only to operations covered by agreements. Excludes sales to the Soviet Union in convertible currencies at market prices. The *Anuario estadístico de Cuba* includes sugar sales to the Soviet Union, as does table 12 of this chapter. ^dPrice of shipments of sugar during the current year, some of which were made under prior agreements at fixed prices. ^ePrices of the International Sugar Agreement. ^fPreliminary figures.

Table 14

CUBA: VALUE AND VOLUME OF SUGAR EXPORTS BY COUNTRIES

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Value	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Soviet Union	61.8	58.7	72.7	75.9	77.5	82.4	82.9	81.3
Rest of socialist countries	12.7	13.9	18.4	17.5	18.1	14.1	12.6	15.6
Rest of world	25.5	27.4	8.9	6.6	4.4	3.5	4.5	3.1
Volume	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Soviet Union	44.2	45.4	57.3	50.5	52.1	51.4	58.1	58.6
Rest of socialist countries	20.5	20.8	22.3	26.8	27.6	24.2	21.2	27.4
Rest of world	35.3	33.8	20.4	22.7	20.3	24.4	20.7	14.0

Source: ECLAC, on the basis of figures from the State Statistical Committee.

^aPreliminary figures.

Table 15

CUBA: EXPORTS, IMPORTS AND TRADE BALANCE

	Millions of pesos					Growth rates					
	1980	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Total exports	3 967	5 476	5 992	5 325	5 401	16.8	12.2	-1.1	9.4	-11.1	1.4
Soviet Union	2 253	3 952	4 482	3 934	3 867	39.5	18.0	1.8	13.4	-12.2	-1.7
Rest of socialist countries	534	956	850	765	930	0.1	-	8.3	-11.1	-10.0	21.5
Rest of world	1 180	568	660	626	604	27.1	1.4	-26.2	16.2	-5.1	-3.6
Total imports	4 627	7 228	8 035	7 569	7 611	8.2	12.5	16.2	11.2	-5.8	0.6
Soviet Union	2 904	4 782	5 419	5 314	5 495	15.8	13.4	12.7	13.3	-1.9	3.4
Rest of socialist countries	709	1 290	1 351	1 098	1 197	32.3	0.4	10.4	4.7	-18.7	9.0
Rest of world	1 014	1 156	1 265	1 157	919	-37.7	29.7	43.1	9.5	-8.6	-20.5
Overall balance	-660	-1 752	-2 043	-2 244	-2 210						
Soviet Union	-651	-830	-937	-1 380	-1 628						
Rest of socialist countries	-175	-334	-501	-333	-267						
Rest of world	166	-588	-605	-531	-315						

Source: ECLAC, on the basis of data from the State Statistical Committee, the National Bank of Cuba and other international sources including *Comercio Exterior (Soviet Union)*.

^aPreliminary figures.

Table 16

CUBA: IMPORTS OF GOODS, CIF

	Millions of pesos					Growth rates				
	1980	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	4 627	7 228	8 035	7 569	7 612	12.4	16.2	11.2	-5.8	0.6
According to use and economic purpose										
Consumer goods	535	794	875	755	785	-0.8	4.9	10.2	-13.7	4.1
Intermediate goods	2 823	4 846	5 452	5 152	5 148	16.5	18.9	12.5	-5.5	-0.1
Petroleum and pretroleum products	898	2 201	2 634	2 517	2 617	24.3	19.4	19.7	-4.5	4.0
Fertilizers	81	130	136	139	131	11.6	4.0	4.8	1.9	-5.7
Herbicides and pesticides	60	53	65	53	77	-10.5	-22.1	22.6	-17.4	44.3
Rolled steel	114	221	234	225	206	27.8	24.2	5.7	-3.8	-8.4
Accessories and spare parts	86	524	589	585	571	22.9	306.2	12.4	-0.6	-2.4
Remainder	1 584	1 717	1 795	1 634	1 546	9.3	-1.0	4.5	-9.0	-5.3
Capital goods	1 269	1 587	1 708	1 662	1 678	9.6	14.3	7.6	-2.7	1.0
Complete plants	535	646	734	744	720	10.2	9.7	13.6	1.3	-3.2
Tractors	37	90	87	60	63	-15.0	45.2	-3.9	-31.0	5.0
Buses and lorries	115	192	208	207	261	-1.9	21.5	8.3	-0.4	26.7
Remainder	582	659	680	652	633	16.5	13.8	3.2	-4.0	-2.9
On the basis of ISIC categories										
Food and live animals	746	823	889	704	750	-2.7	4.4	8.0	-20.8	6.4
Beverages and tobacco	16	8	8	9	11	-5.3	-11.1	1.3	9.0	27.1
Inedible raw materials, except fuels	188	270	324	303	287	6.4	37.1	20.0	-6.6	-5.4
Fuels and lubricants, minerals and related products	912	2 219	2 656	2 538	2 638	23.9	19.5	19.7	-4.4	4.0
Animal and vegetable oils and fats	57	79	82	76	55	36.2	21.5	3.0	6.6	-28.5
Chemicals	289	442	410	428	445	16.2	6.3	-7.2	4.5	3.9
Manufactured goods, classified chiefly by material	679	968	989	921	834	6.4	26.9	2.2	-6.9	-9.4
Machinery and transport equipment	1 639	2 201	2 419	2 329	2 337	11.1	15.7	9.9	-3.7	0.3
Miscellaneous manufactured articles	101	218	258	260	255	16.6	-3.1	18.3	0.9	-2.0

Source: ECLAC, on the basis of figures from the State Statistical Committee.

^aPreliminary figures.

Table 17

**CUBA: IMPORTS OF GOOD CIE, ORIGIN BY COUNTRY OR
GROUP OF COUNTRIES USE AND ECONOMIC PURPOSE**

	1984				1985				1986				1987 ^a			
	Total	Con- sumer goods	Inter- mediate goods	Cap- ital goods	Total	Con- sumer goods	Inter- mediate goods	Cap- ital goods	Total	Con- sumer goods	Inter- mediate goods	Cap- ital goods	Total	Con- sumer goods	Inter- mediate goods	Cap- ital goods
Millions of pesos																
Total	7 228	794	4 846	1 587	8 035	875	5 452	1 708	7 569	755	5 152	1 662	7 612	785	5 148	1 678
Socialist countries	...	...	...	...	6 770	787	4 608	1 375	6 412	645	4 406	1 361	6 692	699	4 535	1 458
Soviet Union	4 782	345	3 575	862	5 373	403	4 078	892	5 314	397	3 987	930	...	...	...	...
Rest of socialist countries	1 290	365	482	442	1 345	373	489	483	1 099	246	393	460	...	...	...	...
Rest of world	1 156	84	789	284	1 265	88	844	333	1 157	110	747	300	919	86	614	• 220
Growth rates																
Total	16.2	4.9	18.9	14.3	11.2	10.2	12.5	7.6	-5.8	-13.7	-5.5	-2.7	0.6	4.1	-0.1	1.0
Socialist countries	...	...	...	...	11.5	10.8	13.6	5.5	-5.3	-18.0	-4.4	-1.0	4.4	8.4	2.9	7.1
Soviet Union	12.7	-0.9	15.8	6.3	12.4	16.8	14.1	3.5	-1.1	-1.5	-2.2	4.3	...	...	...	...
Rest of socialist countries	10.4	4.0	21.4	5.0	4.3	2.2	1.5	9.3	-18.3	-34.0	-19.6	-4.8	...	...	...	...
Rest of world	43.1	44.8	32.8	82.0	9.4	4.8	7.0	17.2	-8.6	24.8	-11.6	-9.8	-20.5	-21.8	-17.8	-26.7
Percentages																
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Socialist countries	...	...	...	...	84.3	89.9	84.5	80.5	84.7	85.5	85.5	81.9	87.9	89.1	88.1	86.9
Soviet Union	66.2	43.5	73.8	54.3	67.3	46.6	75.3	52.4	70.2	52.6	77.5	55.6	...	...	...	...
Rest of socialist countries	17.8	46.0	9.9	27.8	16.8	43.1	9.0	28.4	14.5	32.6	7.7	27.5	...	...	...	...
Rest of world	16.0	10.5	16.3	17.9	15.7	10.1	15.5	19.5	15.3	14.5	14.5	18.1	12.1	10.9	11.9	13.1

Source: ECLAC, on the basis of figures from the State Statistical Committee.

^aPreliminary figures.

Table 18

CUBA: BALANCE OF PAYMENTS IN FREELY CONVERTIBLE CURRENCY^a

(Millions of pesos)

	1980	1981	1982	1983	1984	1985	1986	September ^b	
								1986	1987
Balance on current account	-46	51	297	263	-212	-506	-398	-392	-550
Merchandise balance	367	285	606	441	73	67	-164	-203	-18
Exports FOB	1 248	1 406	1 356	1 234	1 136	1 244	907	666	717
Imports FOB	-881	-1 121	-750	-793	-1 063	-1 177	-1 071	-869	-735
Balance of services	-414	-235	-306	-179	-294	-577	-235	-189	-531
Income	237	344	267	342	264	294	296	...	...
Transport and insurance	95	126	121	125	124	129	144	...	...
Tourism	30	38	42	53	80	97	78	...	...
Interest received	34	28	23	32	23	28	34	...	...
Other	78	152	81	132	37	40	40	...	...
Expenditure	-651	-579	-573	-521	-558	-871	-531	...	...
Transport and insurance	-173	-181	-184	-190	-190	-181	-187	...	...
Interest paid	-263	-339	-341	-248	-241	-268	-262	...	...
Other	-215	-59	-48	-83	-127	-422	-82	...	...
Other net transfers	1	1	-2	1	9	4	1	-	-1
Balance on capital account	60	-52	-539	-74	106	554	254	212	563
Long-term capital ^c	-16	-116	-136	93	138	360	-113	-8	606
Loans received	80	26	29	253	291	...	...	...	...
Amortization payments	-96	-142	-166	-160	-153	...	...	...	...
Official sector	7	-	1	3	1	-1	9	4	8
Private banks	18	-92	-84	66	-3	546	-244	-236	395
Other sectors	-42	-24	-54	24	140	-185	122	224	202
Short-term capital ^c	76	64	-403	-167	-32	194	367	220	-42
Loans received	134	203	119	98	279	...	...	...	...
Amortization payments	-58	-139	-522	-265	-311	...	...	...	...
Official sector	-	69	-50	8	-5	1	-10	-12	2
Commercial banks	-20	47	-408	-68	-134	141	54	138	111
Other sectors	96	-53	56	-106	107	52	323	94	-155
Total variation in reserves (- sign indicates an increase)	-14	1	242	-189	106	-48	144	180	-13

Source: ECLAC, on the basis of figures from the National Bank of Cuba.

^aIncludes all commercial and financial movements with market economy countries but only some of the movements with socialist countries. ^bPreliminary figures. ^cThese balances also include the net movements of other assets and liabilities in freely convertible currency as well as adjustments for variations in the exchange rates of the currencies in which they are expressed.

Table 19

CUBA: STRUCTURE OF GROSS INTERNATIONAL RESERVES

(Millions of pesos)

	1982	1983	1984	1985	1986	1987 ^a
Total^b	139.2	332.2	262.8	350.0	218.0	231.9
Gold and precious metals	15.2	13.5	13.5	14.0	14.0	16.3
Cash and deposits in freely convertible currency in foreign banks	80.6	271.4	165.8	213.4	69.6	91.8
Deposits in transferables rubles in foreign banks	43.4	47.3	83.5	122.6	134.4	123.8

Source: ECLAC, on the basis of statistics from the National Bank of Cuba.

^aPreliminary figures.^bEnd-of-year balance.

Table 20

CUBA: INDICATORS OF EXTERNAL INDEBTEDNESS^a

(Millions of pesos)

	1980	1981	1982	1983	1984	1985	1986	September ^b	
								1986	1987
Total disbursed debt	3 227	3 170	2 669	2 790	2 989	3 621	3 870	3 944	5 555
Bilateral official debt	1 354	1 294	1 276	1 333	1 579	1 820	1 628	1 635	2 465
Multilateral official debt	8	15	18	25	17	22	18	18	22
Suppliers	27	33	47	97	229	433	861	849	1 185
Financial institutions	1 837	1 826	1 327	1 335	1 164	1 346	1 363	1 143	1 883
Medium-term bilateral loans and loans from consortia	563	505	417	495	453	496	457	453	615
Short-term deposits	1 238	1 282	860	789	623	742	742	822	1 028
Credits for current imports	36	39	50	50	88	108	164	168	240
Other credits	1	1	1	1	-	-	-	-	-
Disbursements ^c	214	229	148	351	570	...	...	...	...
Service ^d	...	...	...	319	403	...	...	...	...
Interest paid	263	338	341	248	241	...	...	...	...
Amortization payments on medium- and long-term debts	...	...	...	71	162	...	...	...	...
Ratios (percentages)									
Total disbursed debt/global social product	18.3	14.3	11.6	11.5	11.4	13.4	14.8	...	...
Total debt service/exports of goods and services	...	...	...	20.2	28.8	...	...	...	...
Total debt service/disbursements	...	...	...	90.9	70.7	...	...	...	...
Total debt servicing/global social product	...	...	...	1.3	1.6	...	...	...	...

Source: ECLAC, on the basis of data from the National Bank of Cuba.

^aIncludes commitments in freely convertible currency falling due in one year or less.^bPreliminary figures.^cIncludes long- and short-term loans received, according to the balance of payments.^dPrevious surveys included amortization payments on long- and short-term capital as they appear in the balance of payments in freely convertible currency. As from 1985, the survey includes the more precise figure on the amortization payments of the medium- and long-term debt, which has been available only since 1983.

Table 21

CUBA: GROWTH PATTERN OF THE AVERAGE NUMBER OF WORKERS^a

	Thousands of workers					Percentage breakdown		Growth rates				
	1983	1984	1985	1986	1987 ^b	1980	1987 ^b	1983	1984	1985	1986	1987 ^b
Total	3 000	3 115	3 170	3 263	3 299	100.0	100.0	4.1	3.8	1.8	2.9	1.1
Productive sphere	2 106	2 177	2 203	2 265	2 295	72.0	69.4	3.4	3.4	1.2	2.8	1.3
Agriculture	595	564	552	573	603	22.8	17.6	-3.4	-5.2	-2.1	3.7	5.3
Forestry	26	27	29	29	30	0.7	0.9	25.6	3.8	8.6	0.7	2.3
Industry	631	684	709	726	727	20.0	22.2	5.2	8.4	3.8	2.3	0.1
Construction	284	309	315	322	314	10.0	9.9	8.8	8.8	2.0	2.3	-2.5
Transport	185	187	190	197	197	6.3	6.0	2.8	1.1	1.5	3.8	-0.2
Communications	25	26	26	27	28	0.8	0.8	4.7	3.7	-	3.1	5.2
Commerce	348	367	367	371	376	11.1	11.4	7.3	5.6	-	1.1	1.3
Other activities	14	14	14	20	20	0.3	0.6	7.8	3.6	-	39.7	0.5
Non-productive sphere	894	938	967	998	1 004	28.0	30.6	5.7	5.0	3.1	3.2	0.6
Community and personal services	97	108	112	115	117	3.4	3.5	13.1	11.5	3.4	2.8	1.5
Science and technology	23	26	27	28	29	0.7	0.9	5.6	13.3	6.3	1.8	4.0
Education, culture and art	408	418	422	423	425	13.2	13.0	4.1	2.5	1.0	0.3	0.5
Public health and social welfare, sports and tourism	170	185	197	211	222	4.6	6.5	10.5	8.9	6.4	7.1	5.6
Finance and insurance	15	17	19	21	21	0.4	0.6	11.3	14.9	10.0	9.6	0.5
Administration	155	156	161	169	161	5.2	5.2	2.2	0.8	3.3	4.6	-4.3
Other activities	26	28	30	32	29	0.5	1.0	-2.6	5.6	5.3	8.4	-8.3

Source: ECLAC, on the basis of figures from the State Statistical Committee.

^aIncluded only civilian employment in the State sector.^bPreliminary figures.

Table 22

CUBA: GROWTH PATTERN OF AVERAGE NOMINAL WAGES^a

	Average wages (pesos)						Growth rates				
	1982	1983	1984	1985	1986	1987 ^b	1983	1984	1985	1986	1987 ^b
Total	2 113	2 159	2 230	2 252	2 255	2 208	2.2	3.3	1.0	0.1	-2.1
Productive sphere	2 120	2 173	2 252	2 269	2 256	2 184	2.5	3.6	0.8	-0.6	-3.2
Agriculture	2 000	2 004	2 100	2 155	2 180	2 137	0.2	4.8	2.6	1.2	-2.0
Forestry	1 986	1 988	2 097	2 120	2 107	2 088	0.1	5.4	1.1	-0.6	-0.9
Industry	2 209	2 267	2 309	2 329	2 280	2 207	2.6	1.9	0.9	-2.1	-3.2
Construction	2 241	2 346	2 468	2 442	2 407	2 316	4.7	5.2	-1.1	-1.4	-3.8
Transport	2 479	2 551	2 606	2 591	2 616	2 508	2.9	2.2	-0.6	1.0	-4.1
Communications	2 021	2 041	2 106	2 137	2 143	2 124	1.0	3.2	1.5	0.3	-0.9
Commerce	1 895	1 959	2 033	2 023	2 012	1 968	3.4	3.8	-0.5	-0.5	-2.2
Other activities	2 380	2 482	2 472	2 454	2 473	2 400	4.3	-0.4	-0.7	0.8	-3.0
Non-productive sphere	2 095	2 126	2 177	2 214	2 255	2 256	1.5	2.4	1.7	1.9	-
Community and personal services	1 864	1 900	1 966	1 955	1 983	1 932	1.9	3.5	-0.6	1.4	-2.6
Science and technology	2 408	2 396	2 416	2 531	2 514	2 544	-0.5	0.8	4.8	-0.7	1.2
Education, culture and art	2 102	2 148	2 193	2 230	2 263	2 281	2.2	2.1	1.7	1.5	0.8
Public health and social welfare, sports and tourism	2 017	2 027	2 077	2 124	2 175	2 256	0.5	2.5	2.3	2.4	3.7
Finance and insurance	2 211	2 209	2 194	2 235	2 243	2 220	-0.2	-0.7	1.9	0.4	-1.0
Administration	2 243	2 261	2 346	2 404	2 471	2 364	0.8	3.7	2.5	2.8	-4.3
Other activities	2 058	2 184	2 260	2 257	2 302	2 292	6.1	3.5	-0.1	2.0	-0.4

Source: ECLAC, on the basis of figures from the State Statistical Committee.

^aIncludes only civilian employment in the State sector.^bPreliminary figures.

Table 23

CUBA: MONETARY LIQUIDITY

	Millions of pesos					Growth rates					
	1983	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Expansion factors	9 155	9 927	10 315	10 766	10 672	6.6	6.7	8.4	3.9	4.4	-0.9
Workers' income	7 330	7 928	8 122	8 404	8 350	7.0	7.1	8.2	2.4	3.5	-0.6
Private-sector income ^b	538	574	598	651	593	0.4	3.9	6.7	4.2	8.9	-8.9
Other income ^c	1 287	1 425	1 595	1 711	1 729	6.8	5.2	10.7	11.9	7.2	1.1
Contraction factors	9 086	9 722	10 149	10 676	10 675	11.3	7.3	7.0	4.4	5.2	-
Expenditure on goods and services	8 654	9 242	9 641	10 136	10 132	11.3	7.1	6.8	4.3	5.1	-
Other expenditure ^d	432	480	508	540	543	11.1	13.7	11.1	5.8	6.3	0.5
Variation in liquidity	69	205	166	90	-3	...	...	...	...	...	...
Cash	-6	89	45	-172	-7	...	...	...	...	...	...
Savings deposits	75	116	121	262	4	...	...	...	...	...	...

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Includes income earned by peasants, carriers and artisans from sales of goods and services to the State, to cooperatives and to other organizations.

^c Includes retirement benefits, pensions, grants to individuals, loans granted by the banking system, interest on savings, foreign currency exchange through bank drafts and transfers received.

^d Includes amortization and interest on loans; subpositions to political, sporting and social organizations; drafts and transfers.

Table 24

**CUBA: THE BANKING SYSTEM AND PERSONAL SAVINGS
AND CREDIT OPERATIONS**

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Number of banking agencies specialized in service to the public at end of year								
Municipal	132	192	326	421	448	467	476	488
Auxiliary	54	69	115	143	154	165	167	167
Savings banks	57	63	71	76	77	79	80	80
Non-specialized	21	60	140	185	206	219	227	239
	-	-	-	17	11	4	2	2
Monetary savings of the population (1975 = 100)								
	101	120	147	157	172	189	224	225
Number of credits to the population (thousands)								
Electrical appliances	177	252	215	268	296	385	335	323
Motor vehicles	139	212	166	216	237	324	262	238
Building materials and housing repairs	15	12	17	18	15	15	12	23
Others	9	11	10	11	18	17	25	21
	14	17	22	23	26	29	36	41
Value of personal credits (millions of pesos)								
Electrical appliances	104	160	146	161	185	298	265	287
Motor vehicles	70	119	92	114	137	245	206	206
Building materials and housing repairs	17	19	31	27	21	24	21	36
Others	9	13	12	9	15	16	20	20
	8	9	11	11	12	13	18	25
Other items (millions of pesos)								
Payments collected	107	115	124	139	156	174	191	209
Balances due	176	217	233	249	272	388	455	525

Source: ECLAC, on the basis of figures from the People's Savings Bank.

^aPreliminary figures.

Table 25

**CUBA: ACTUAL EXECUTION OF THE BUDGET
OF STATE INCOME AND EXPENDITURE**

	Million of pesos					Growth rate					
	1983	1984	1985	1986	1987 ^a	1982	1983	1984	1985	1986	1987 ^a
Current income	12 128	11 854	12 294	11 699	11 273	-7.5	21.4	-2.3	3.7	-4.8	-3.6
Contributions from the State sector	...	...	...	7 766	7 713	...	...	...	...	...	-0.7
Circulation tax	...	...	...	5 266	5 083	...	...	...	...	...	-3.5
Contributions from profits	...	...	...	1 540	1 433	...	...	...	...	...	-6.9
Foreign trade price differential	...	...	...	960	1 197	...	...	...	...	...	24.7
Other income	...	...	...	3 933	3 560	...	...	...	...	...	-9.5
Income from taxes and other contributions from the non-State sector	...	...	28	41	30	...	...	...	...	46.4	-26.8
Income from taxes and duties paid by the population	...	...	180	192	176	...	...	...	...	6.7	-8.3
Other	...	...	...	3 700	3 354	...	...	...	...	...	-9.4
Total expenditures	11 394	11 930	12 547	11 887	11 798	-12.2	12.2	4.7	5.2	-5.3	-0.7
Purpose:											
Productive sphere	4 592	4 378	4 941	4 420	4 456	-33.3	20.1	-4.7	12.9	-10.5	0.8
Housing and community services	623	773	734	718	745	1.3	31.7	24.1	-5.0	-2.2	3.7
Education and public health	2 210	2 425	2 548	2 693	2 709	4.5	5.4	9.7	5.1	5.7	0.6
Other social/cultural and scientific activities	1 683	1 855	1 965	1 830	1 857	6.6	12.6	10.2	5.9	-6.9	1.5
"Poder Popular," Central State Government, Tribunals and Public Prosecutor's Office	610	688	643	639	565	3.9	-1.6	12.8	-6.5	-0.6	-11.6
Defence and domestic law and order	1 133	1 386	1 336	1 268	1 242	19.1	2.2	22.3	-3.6	-5.1	-2.1
Other activities	542	426	381	319	224	22.3	-0.2	-21.4	-10.6	-16.3	-29.7
Reserves	-	-	-	-	-	-	-	-	-	-	-
Type of expenditure:											
Current	8 488	9 236	9 413	8 783	9 199	...	...	8.8	1.9	-6.7	4.7
Investment	2 906	2 694	3 134	3 104	2 599	...	...	-7.3	16.3	-1.0	-16.3
Surplus (or deficit)	735	-76	-253	-188	-525						

Source: ECLAC, on the basis of figures from the State Statistical Committee, the National Bank of Cuba and the State Finance Committee.

^a Preliminary figures.

CHILE

1. Recent economic trends: Introduction and summary

The Chilean economy did well during 1987. The gross domestic product grew by 5.4%, the value of exports rose by 25% and gross fixed investment expanded by 16%. The export boom gave rise to a trade surplus (goods and services) of over US\$800 million. As a result of this and of the reduction in interest payments on the external debt, the deficit on current account decreased by more than US\$260 million. Inflation remained at a moderate level —22% at the end of the year— and the central government's accounts yielded a surplus for the first time since 1981 (see table 1 and figure 1).

The growth of the gross domestic product, together with its increases of the preceding three years, allowed economic activity to reach a record high, thereby exceeding the levels achieved prior to the crisis of the period 1982-1983. For its part, gross national income went up by 8.7%, which was three points more than the increase in the product. Part of this differential was due to the 4.5% increase in the terms of trade, which were nonetheless 20% lower than at the beginning of the decade. The drop in the interest accrued on the external debt also contributed to the expansion of income. Nevertheless, per capita income was still 12% lower than in 1981.

The growth of the economy was mainly fueled by exports and investment, aided by the substantial growth in imports, especially of capital goods and intermediate products. The total value of imports increased by close to 30%, and the 16% rise in their volume was nearly double that of exports.

Consumption grew by only 3%, causing the domestic savings coefficient to rise for the fifth year in a row. In fact, when measured in terms of 1980 prices, the latter was equivalent to 26% of the gross domestic product, which was the highest level recorded in the past two decades. For its part, the national savings coefficient rose by four points, while that of external savings dropped from nearly 5% to slightly over 3%.

In contrast with what had occurred in 1986, when growth was led by the production of internationally tradeable goods, this time the expansion of the non-tradeables sector was slightly more rapid. This was reflected in the fact that the growth rates for construction (10.5%), transport and communications (10%) and commerce (7.5%) exceeded those of manufacturing (5.5%) and agriculture (4.5%).

Employment rose at a similar rate to that of the product. As a result, the average national unemployment rate dropped to 9.3%, the lowest level yet recorded in the 1980s. Unemployment also decreased for the fourth year running in Greater Santiago, although at 12.3%, it was much higher than the rate for the rest of the country and was more than double the levels that had been customary in the 1960s and early 1970s.

Monetary policy tended to be restrictive. This was due to the very marked upward trend in effective demand at the end of the first quarter, which prompted an upsurge in inflation and caused imports to increase at a rate that was incompatible with the targets set for the balance of payments. In order to counteract these trends, the authorities implemented a programme of "mini-adjustments", which basically consisted of raising the interest rate on the Central Bank's readjustable operations. The rise in the interest rate dampened effective-demand and import growth rates, but inflation did not start to slacken until late in the year. Indeed, the December-to-December rate of inflation climbed to 21.5%, which was four points above that of the preceding year and seven points more than the level projected at the beginning of the year. This acceleration of the inflationary process contributed to the very slight drop in average real salaries and wages and to the 6% decline in the purchasing power of the minimum wage.

Figure 1
CHILE: MAIN ECONOMIC INDICATORS

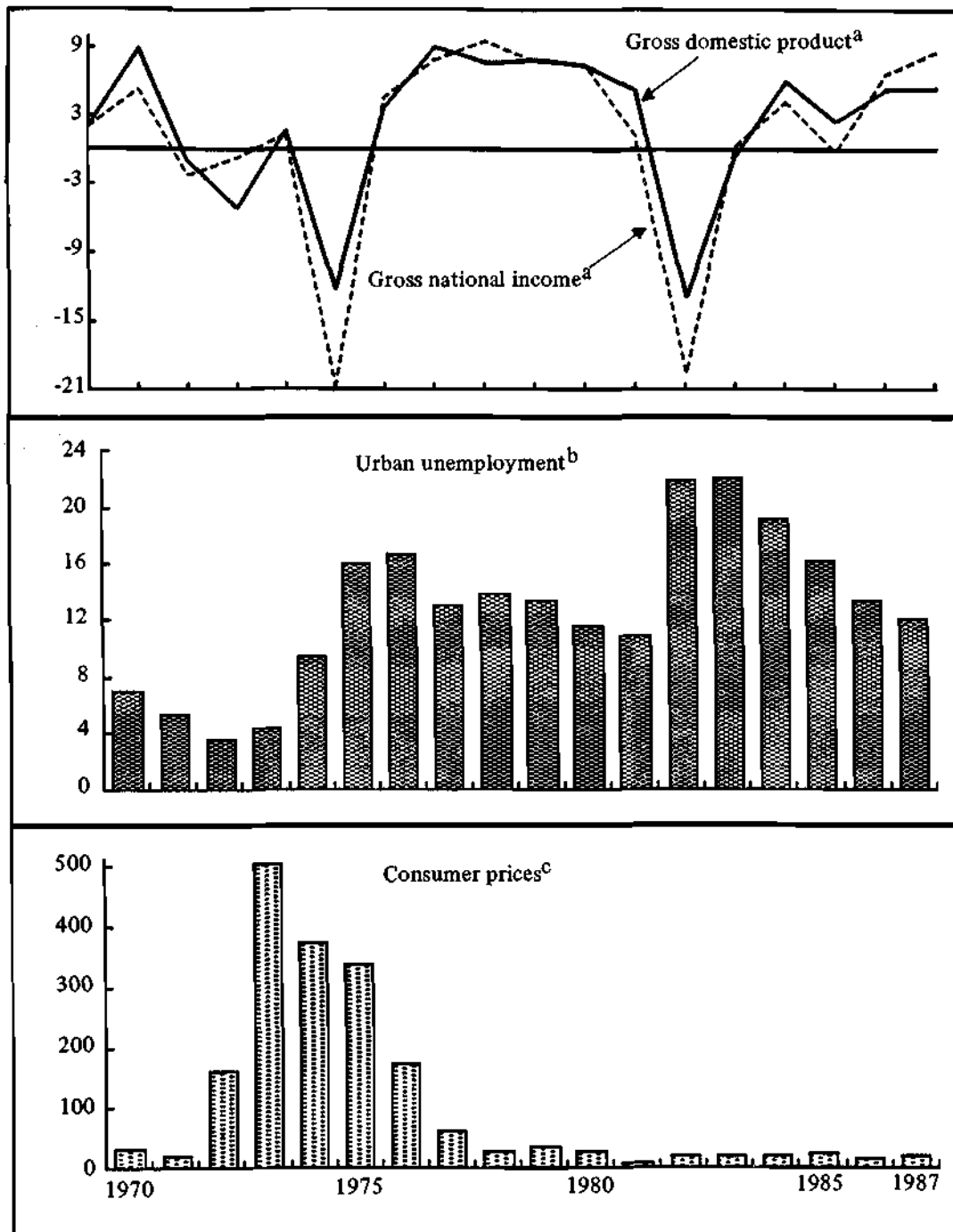
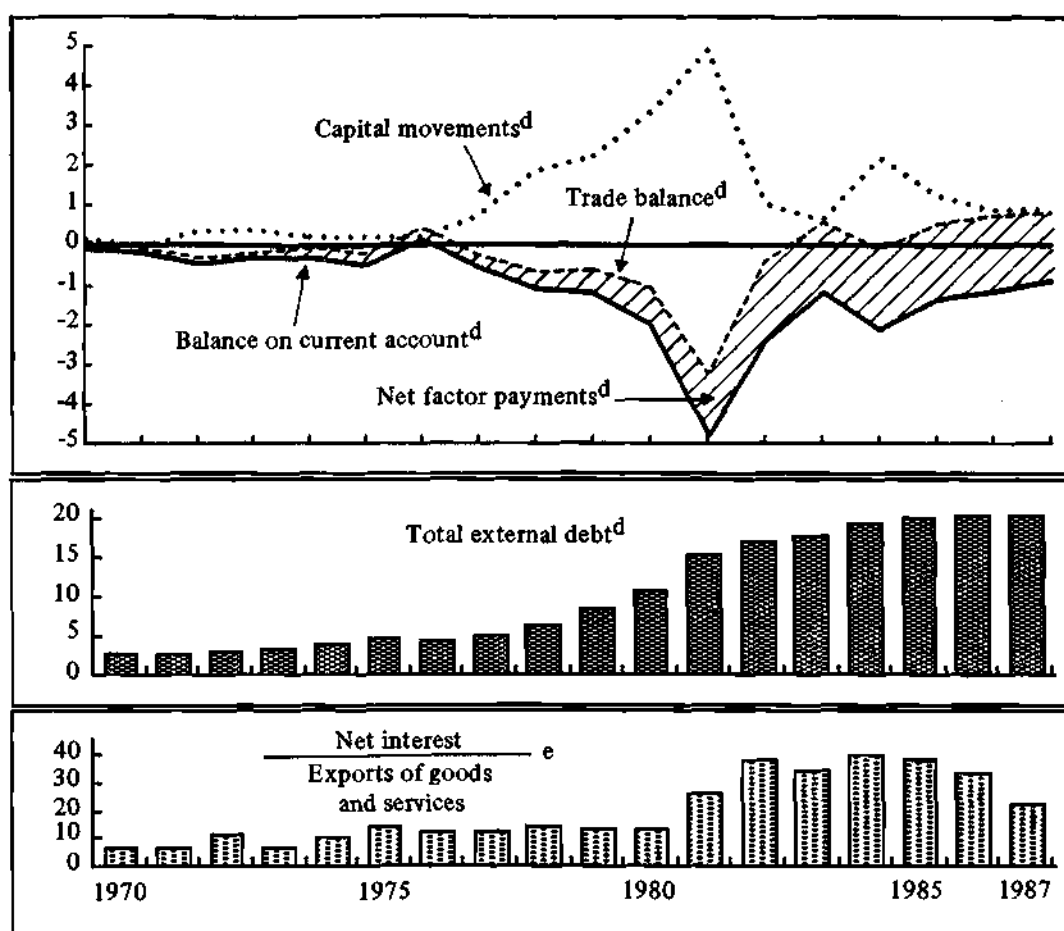


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate. ^bAverage annual rate in Greater Santiago. ^cPercentage variation from December to December. ^dBillions of dollars. ^ePercentages.

In 1987 the authorities continued to apply policies designed to increase public saving and to reduce the extent of the State's involvement in the economy. The results, in terms of public-sector saving and investment, exceeded expectations: the former was equivalent to more than 5% of the product and the latter to over 7% of the product. Public enterprises valued at an amount equivalent to nearly 1.5% of the gross domestic product were privatized during the year, and the tax rates on some luxury consumer goods (such as colour televisions and automobiles) and on profit remittances by foreign companies were lowered.

Finally, the nominal value of the external debt was reduced for the first time in the country's recent history. This drop, which amounted to US\$160 million, was due to the fact that total repurchases of external debt paper exceeded the value of net fresh credits and of accounting adjustments prompted by changes in the exchange parity of the dollar and other leading currencies. The debt renegotiation agreements that were signed in June provided for the restructuring of US\$12.5 billion in amortization payments on the debt owed to international commercial banks. The terms of these agreements also included a six-year grace period and semi-annual payments up to the year 2002. In addition, there was a 3/8-point reduction in the interest rates spread on the external debt and the periodicity of interest payments was changed from a semi-annual to an annual basis; the latter change will mean a US\$470 million reduction in interest payments for 1988.

2. Trends in economic activity

a) *The product and income*

As was already indicated, the gross domestic product grew by 5.4%, a rate similar to that of 1986. Owing to this increase, together with those recorded in the preceding three years, the level of economic activity in 1987 was, for the first time, higher than those achieved prior to the severe slump of 1982-1983. Nonetheless, the per capita gross domestic product was still 6% lower than that recorded in 1981.

Gross national income rose by 8.7% as a result of the improvement in the terms of trade and of the reduction in net external payments of interest and profits (see table 2). Nevertheless, as a consequence of the steep drop in the terms of trade between 1980 and 1985 and the burden represented by the servicing of the external debt, gross national income was still 2.5% lower than its pre-crisis level.

b) *Total supply and demand*

Total supply rose by 7% as a result of increases in both the product and the volume of imports of goods and services. The latter rose by nearly 16%, but even so it amounted to only 80% of the volume registered in 1980 (see table 3).

The rise in total demand was the outcome of both the expansion in export volumes (8.5%) and the increase in domestic demand (6.5%). In fact, export volumes reached a record level which exceeded that of 1980 by 44%. Consequently, in 1987 export activity accounted for slightly over 30% of the gross domestic product, which was unprecedented in the last 50 years and indicative of the considerable openness of the Chilean economy to international trade.

Noteworthy among the components of domestic demand was the recovery of gross fixed investment, which rose by 16%. Thanks to this increase and to those registered during the preceding three years, gross fixed capital formation surpassed its 1980 level by a slight margin, although it was still 12% lower than in 1981. The increase in gross fixed investment came about as a result of the expansion in both private investment (estimated at 30%) and public investment (2%).

Total consumption rose less than the product did, growing by slightly over 3%. This increase stemmed exclusively from the 4% rise in private consumption, since public consumption was down by 2%. The drop in the latter, as well as the decreases it sustained during the two preceding years, reflected the explicit fiscal policy objective of reducing the public sector's role in the economy and of increasing government saving. Partly as a result of this, and partly due to the fact that, despite its upward trend of the last two years, private consumption was still 11% lower than in 1981, total consumption was 10% below the level it had attained before the adjustment process had begun.

Finally, gross domestic saving continued to increase for the sixth year running as a result of the fact that the growth of total consumption was much slower than that of the product. In fact, as measured in constant 1980 dollars, the domestic savings coefficient amounted to the equivalent of 26% of the gross domestic product, which was a record high for the last two decades. Gross national saving grew at an even faster pace than did domestic saving due to the drop, for the fourth consecutive year, in the proportion of the product represented by net payments of interest and profits and to the improvement in the terms of trade. As a result, the national savings coefficient was the highest recorded since 1974, with the sole exception of that of 1980 (see table 4).

c) *The main sectors*

During 1987 the sectors of the economy which produce goods that are not tradeable internationally again experienced growth. Thus, construction (with a 10.5% increase), transport, storage and communications (10%) and commerce (7.5%) were the fastest-growing sectors of the economy, attaining levels similar to those recorded prior to the crisis (see table 5). One of the basic causes of the boom in the production of non-tradeable goods was the favourable performance turned in by external trade, which, by providing the economy with the necessary foreign exchange, paved the way for a sustained expansion of domestic demand.

As for the production of tradeable goods, the growth process which had begun with the implementation of structural adjustment policies generally continued. However, the expansion in

these activities was more moderate than in 1986. Thus, agriculture and industry, which in 1986 had grown by nearly 9% and 8% respectively, increased by 4.5% and 5.5%, while mining stagnated and fishery activity dropped by 8%, after having expanded quite vigorously during the preceding five years (see table 5).

i) *Agriculture*. In 1987 agriculture completed four years of rapid growth. The real value of traditional crop-farming output rose by somewhat over 5%. However, its expansion was more moderate than in the preceding three-year period, and the growth of its various components was uneven (see table 6). Wheat production, which accounts for more than 50% of the land area sown with traditional crops, rose by 15%, thereby almost doubling the level reached just three years before. This substantial increase was largely due to the protection provided by the State for this and other traditional crops through the establishment, in advance, of price bands which take into account the medium-term trends of the corresponding international prices and so reduce the risks associated with sharp fluctuations in these prices over the short term. Indeed, the wheat harvest was so bountiful that the resulting oversupply made it necessary for the government to increase its purchasing authorizations and to build up large wheat stocks.

The effects of the wheat boom and of the rapid expansion of crops of lesser significance, such as rice (40%) and chickpeas (66%), were partially offset by a decline in the harvests of barley (-45%), rye (-44%), corn (-14%) and sunflower seeds (-27%). The main cause underlying these declines was the decrease in the amount of land used for the cultivation of these crops as a result of the reassignment of some tracts to wheat production (see table 6).

Fruit output continued to expand in 1987. However, in contrast to the situation in 1986, the increase was based almost exclusively on export products such as table grapes (20%) and apples (7%), which together account for over 60% of the total area denoted to fruit production. Production of all other items was down, with the sole exception of oranges (see table 7).

Livestock activity, which was encouraged by higher domestic prices, also improved in 1987. This was reflected in the greater output of all its main components except for beef and eggs, which dropped slightly. The production of pork (17%), poultry (12%) and mutton (11%) increased significantly, although only pork output exceeded the level reached at the beginning of the decade (see table 8).

Finally, a slight increase was to be observed in the country's afforested area (which since 1986 have been totally in the hands of the private sector), but it remained below the levels recorded between 1980 and 1985 (see table 9).

ii) *Fisheries*. Fishery production, which had grown very rapidly in recent years, declined by 8%. This was due to a 14% drop in the fishing catch—which was mitigated somewhat by an expansion in that of shellfish—and a 16% decrease in fish meal production. Nevertheless, the level of fishery activity was still high in historical terms, as it substantially exceeded those recorded up to 1984 (see table 10).

iii) *Mining*. The mining product, whose growth had been slowing steadily since 1984, stagnated completely in 1987. This slowdown has been caused primarily by the progressively more sluggish performance of large-scale copper mining and by a deepening of the downturn in oil production. On the other hand, medium- and small-scale copper mining responded well to the rise in copper prices, and as a result, the output of these subsectors, which had already shown sharp increases in the preceding two years, rose by close to 10% in 1987. The same was true of the production of iron ore pellets (15%), whose international price also rose, and of coal output, which marked up its fourth increase in the last five years (see table 11).

iv) *Manufacturing*. In 1987 the industrial sector continued to expand, as it has been doing since late 1985. The industrial product grew by 5.5% and thus reached a record high, as did industrial sales, which expanded at a similar rate (see table 12). The manufacturing sector's dynamic performance was also reflected in a 29% increase in the value of industrial exports.

The two subsectors showing the greatest growth in 1987 were those engaged in the production of transport equipment (34%) and consumer durables (14%). However, since these were also the subsectors which had declined the most during the 1982-1983 crisis, they still had far to go to regain their output levels of the early 1980s. On the other hand, in the case of the production of mass consumer goods and especially of intermediate goods, these levels were surpassed (see table 12).

v) *Construction.* In 1987 the construction sector performed very well. Its product grew by close to 11%, thereby approaching the level attained during the 1981 boom and far surpassing the official forecast made at the beginning of the year, which projected a growth rate of only 4%.

One of the basic factors underlying the upturn in construction was the strengthening of the government's housing assistance policy, which consisted of three main programmes: one for the construction of basic housing, another for the granting of subsidies for the purchase of housing, and a savings and financing system. Partly as a result of these programmes and partly as a result of the greater amount of construction financed directly by the private sector, the surface area of residential building increased by 20%. Concurrently, the upward trend in non-residential construction continued for the fourth year in a row (see table 13).

d) *Developments in employment*

During 1987 employment continued to rise, and the open unemployment rate consequently declined. The latter, which had exceeded 22% for the country as a whole during the period 1982-1983, dropped for the fourth year in a row, averaging somewhat less than 13%, according to the figures of the Department of Economics of the University of Chile. The trend was similar, although unemployment levels were lower, according to the records compiled by the National Statistical Institute (INE), which indicated that the nationwide level of open unemployment had fallen from close to 18% in 1982-1983 to slightly over 9% in 1987 (see table 14).

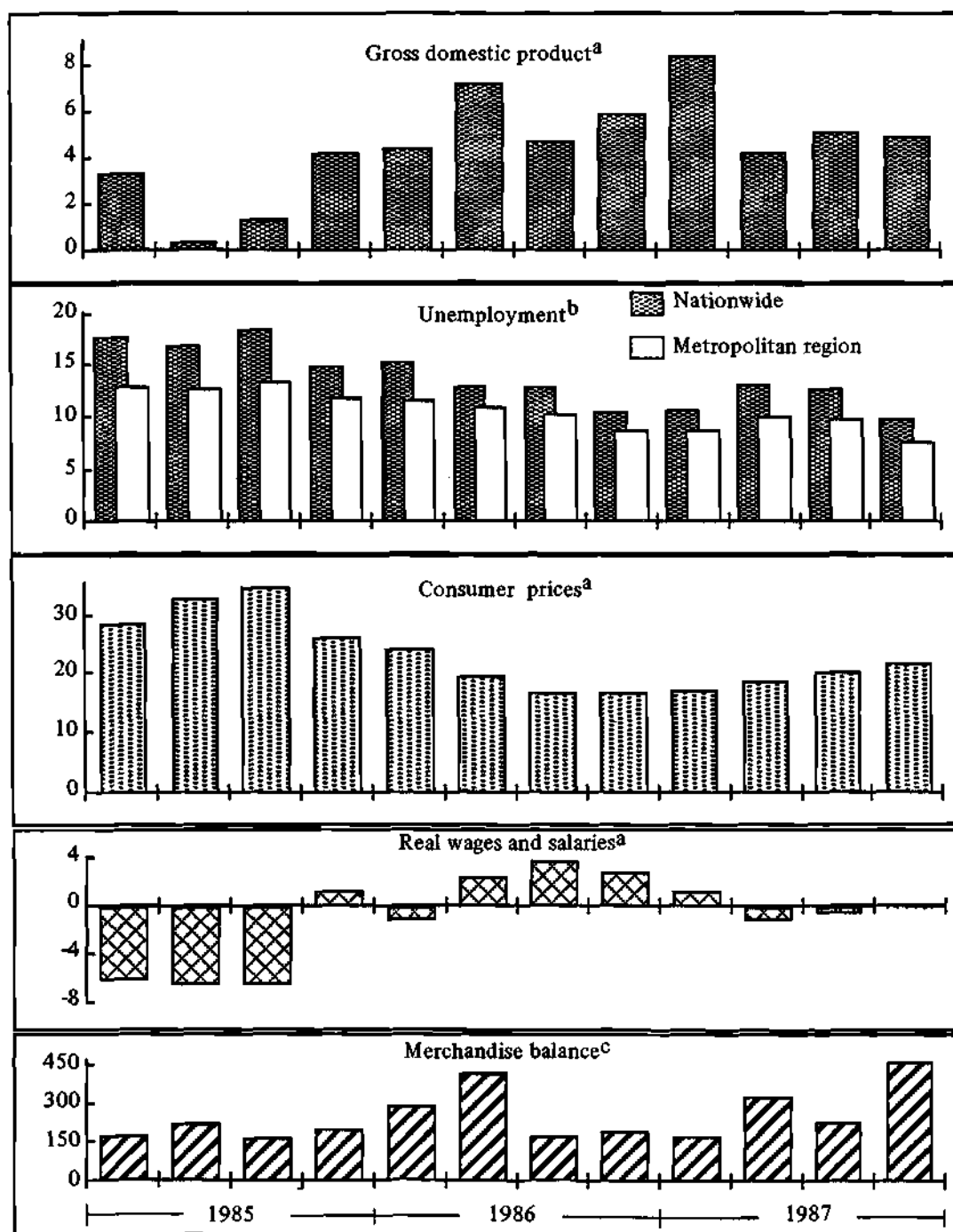
The level of unemployment fluctuated quite a bit during the year. Due in part to seasonal factors and, more importantly, to the restrictive policy implemented as of April, unemployment rose markedly in the second quarter, remained high in the third, and dropped steeply in the last quarter (see figure 2).

As in preceding years, unemployment was considerably higher in urban centres than in rural areas. Similarly, the geographic distribution of unemployment continued to follow the pattern which had begun to take shape in 1985, whereby unemployment rates in the southern part of the country were much lower than they were in the central provinces and, especially, in the north. The trend towards an evening out of unemployment rates in the large urban centres of Santiago, Valparaíso, and Concepción also continued in 1987 as a result of the very rapid drop in unemployment in Valparaíso, its steady but slower reduction in the capital and its relative stability in Concepción (see table 14).

Unemployment declined in all sectors, but the drop was particularly marked in construction, which was the fastest-growing activity in 1987 and had been the hardest-hit by the 1982-1983 crisis (see table 15). The sectors showing the lowest rates of manpower absorption were commerce and community and social services. The fact that the unemployment rate remained the same in the latter sector was basically a reflection of the sharp cutbacks made in the government's emergency employment plans. Indeed, the Minimum Employment Plan (PEM) and the employment programme for heads of household (POJH), which had provided employment for nearly 14% of the labour force at the height of the crisis, absorbed less than 3% of the work force in 1987 (see table 16 and figure 3). A new, labour-intensive programme (PIMO) was launched in 1987, however, under which private companies could hire personnel at the minimum wage to perform simple jobs and receive a State subsidy for each worker so employed. Nonetheless, the scope of this programme as of December 1987 was still very limited (0.4% of the labour force).

As a result of the drop in the unemployment rate and the cutbacks in government emergency employment programmes, "autonomous" employment (i.e., total employment minus PEM and POJH) rose by nearly 6%, which was a slightly higher growth rate than that of the product. Since autonomous employment had increased by 16% the year before—and had thus far outstripped the expansion of economic activity—the average productivity of the labour force dropped notably in the period 1986-1987. This decrease indicated that a rise in underemployment probably accompanied the increase in the employment level.

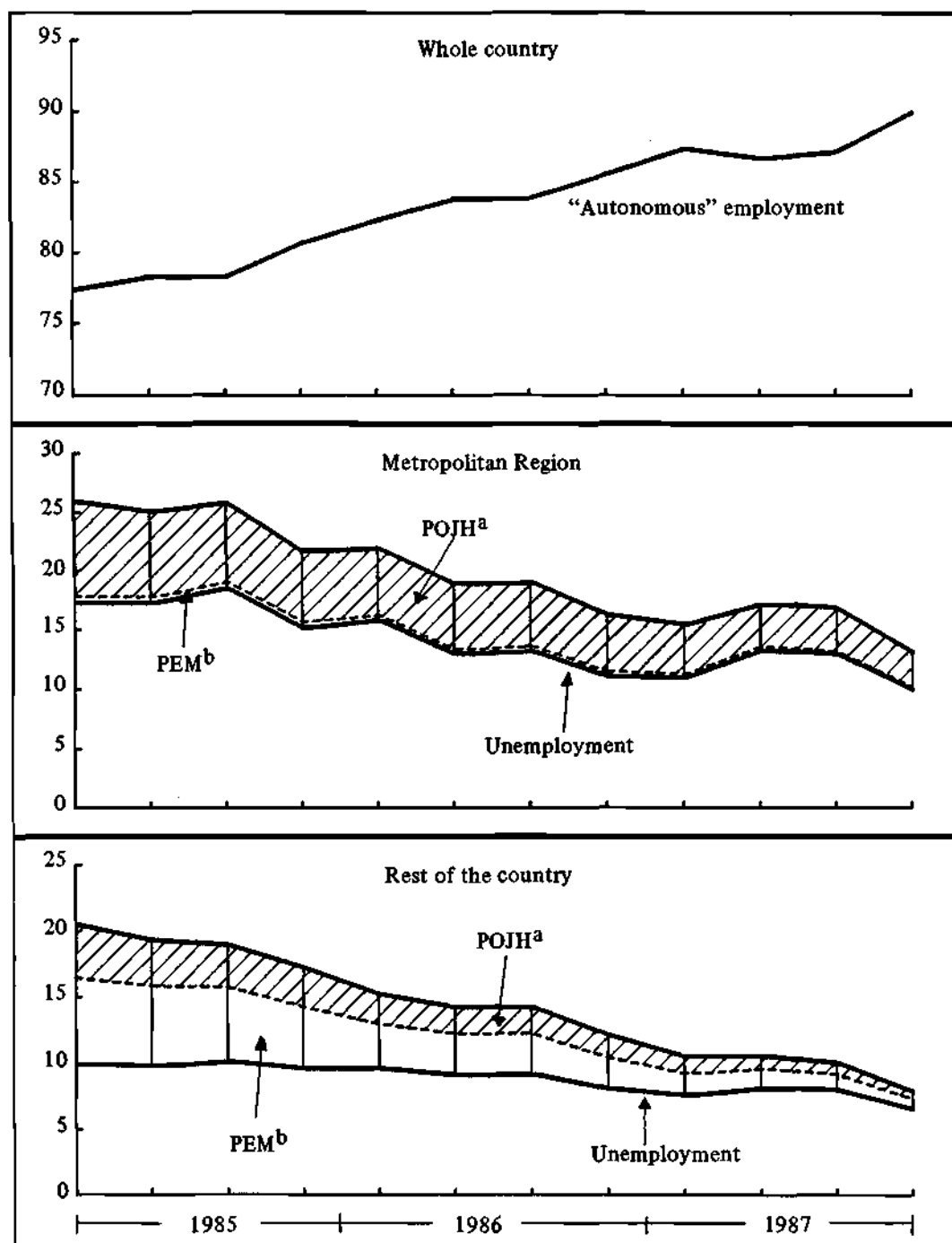
Figure 2
CHILE: QUARTERLY TRENDS OF MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official figures.

^aPercentage variation with respect to the corresponding quarter of the preceding year. ^bAverage rate. ^cMillions of dollars.

Figure 3
CHILE: EMPLOYMENT, UNEMPLOYMENT AND GOVERNMENT
EMPLOYMENT PROGRAMMES
(As percentages of the labour force)



Source: ECLAC, on the basis of data from the National Statistical Institute (INE).

^aPOJH: Programme to Reactivate Employment for Heads of Household.
 Employment Plan.

^bPEM: Minimum

3. The external sector

a) *External trade*

i) *Exports of goods.* During 1987 the value of merchandise exports rose by more than 24%, thus completing a three-year period of rapid growth (see table 17). This increase, which brought exports up to a record level, stemmed from nearly a 6% expansion in volume and a 17.5% rise in unit value.

The increase in the value of exports was attributable to the expansion of both copper exports—which represented almost 43% of external sales of merchandise—and non-copper exports. The 27% increase in copper exports was due almost exclusively to the rise in copper prices, which became more pronounced in the last quarter of the year. During that period the real price of copper regained its 1980 level, although it was still much lower than it had been between 1965 and 1974 (see table 18). In view of the traditional instability of the international price of this product and in order to avoid a decline in the real exchange rate which would be untenable over the medium term, the authorities decided to set up a Copper Fund, into which part of the additional foreign exchange earnings arising out of any increases in its price over US\$0.70 per pound would be deposited.¹

Non-copper merchandise exports grew by 22%, continuing the upward trend of the preceding year. This rise resulted from a 9% increase in their average price and from an expansion of over 10% in their volume. The fastest-growing categories were exports of manufactures (29%)² and of agricultural and marine products (17%) (see table 19).

The export boom was fueled, to a great extent, by the government's exchange policy. Since 1985 this policy has been aimed at maintaining a high and relatively stable real exchange rate (see table 20). The effects of this policy have been reinforced since 1986 by a programme designed to promote new exports through a drawback of a percentage of the value exported. In 1987 the maximum value of exports eligible for this benefit increased from US\$7.5 million to US\$11.25 million, but the drawback was reduced from 10% to 5% of the value of the products exported.

ii) *Imports of goods.* The volume of merchandise imports rose by 14.5%, which was almost triple the growth rate of the volume of merchandise exports and of the gross domestic product. Despite this, the volume of imports was still 30% lower than the record level registered in 1981. The average price of imported products rose by 12.5%, primarily as a result of the depreciation of the dollar on international markets and of the upturn in international oil prices. Thus, the value of imports of goods rose by almost 29%. This expansion was led by a 50% increase in imports of capital goods—which thus climbed for the third consecutive year—and by the also substantial increase (23%) in imports of intermediate goods. Imports of consumer goods also rose considerably (20%), and thus partially recovered from their marked drop of 1982 (see table 21).

iii) *The terms of trade and the purchasing power of exports.* Thanks to the significant increase in copper prices, the terms of trade for goods rose by almost 5%. Despite this improvement and the even more substantial one recorded the preceding year, the terms of trade were still around 20% lower than they were at the beginning of the decade. Nevertheless, thanks to the steep increase seen in the volume exported, the purchasing power of exports was over 50% greater than it had been in 1980 (see table 17).

b) *The current account position and capital movements*

The country's trade in goods and services yielded a surplus of over US\$800 million, which was 8% higher than that obtained in 1986 (see table 22). As in 1986, the main cause of this increase in the surplus was the improvement in the terms of trade, since the volume of imports grew more than that of exports.

¹The 1987 budget was based on the premise that the average annual price of copper would be US\$0.70 per pound. In accordance with the standard established by the Fund, if the effective price exceeded this level but was below US\$0.775, then one-half of the resulting additional foreign exchange earnings would be deposited in the Fund. If the effective price exceeded US\$0.775, then all the additional foreign exchange would be deposited in the Fund. The resources held in the Fund could only be used if copper prices were to fall below US\$0.60 per pound.

²It should be noted, however, that the main industrial exports were items such as fish (fresh, frozen, dried and smoked), fish meal and oils, roughly sawn lumber and wood pulp, all of which involve no more than a basic level of processing.

Net payments of interest and profits declined by nearly US\$200 million as a result of the almost US\$300 million reduction in the amount of interest paid. The latter was due partly to the decrease in the interest accrued on the external debt and partly to the retiming agreement reached with creditor banks in 1985, under which interest payments were changed over from a quarterly to a semi-annual basis.

As a consequence of the increase in the trade surplus and the decrease in payments of interest and profits, the current account deficit was reduced to US\$870 million. This level was the lowest to be recorded in the last 10 years, as well as being lower than the deficit that had been projected in early 1987. As a result, and despite the fact that capital income was lower than anticipated, a US\$46 million surplus was achieved in the balance of payments. During the year the country received disbursements corresponding to the second and third tranches of the structural adjustment loan granted by the World Bank. However, the creditor banks did not grant any new loans, in view of the above-mentioned retiming arrangement.

The transfer of resources abroad —measured as the trade balance for goods and non-financial services minus the variation in international reserves— amounted to US\$770 million, which was a similar figure to those of the two preceding years. This transfer was equivalent to about 4% of the gross domestic product, and thus constituted a formidable obstacle to any increase in investment rates or improvement in the population's standard of living.

c) *The external debt*

During 1987 another renegotiation of the external debt was carried out. This agreement provided for the restructuring of US\$12.5 billion in amortization payments on commitments with the private banking system (which represented more than 60% of the total external debt); the establishment of a six-year grace period and a 15-year payback period; and the extension until 1989 of a commercial line of credit for a minimum of US\$1.7 billion. Under this new agreement interest payments was also retimed from a semi-annual to an annual basis (which it was estimated would result in a US\$470 million reduction in interest for 1988), and a repricing arrangement was agreed upon whereby a 3/8-point reduction would be made in the interest rate spread over LIBOR on the debt. In addition, a rescheduling was carried out in the Paris Club of the amortization payments on US\$150 million of government or government-guaranteed debt.

In 1987 the total external debt was reduced in nominal terms. This drop, the first in over two decades, amounted to somewhat over US\$160 million (see table 23) and came about as a result of the fact that amortization payments (over US\$400 million) and debt repurchases and conversions on the secondary market (nearly US\$800 million) exceeded total new borrowing and the adjustments made in the value of the debt due to changes in the exchange rates of the currencies of the main creditor countries.

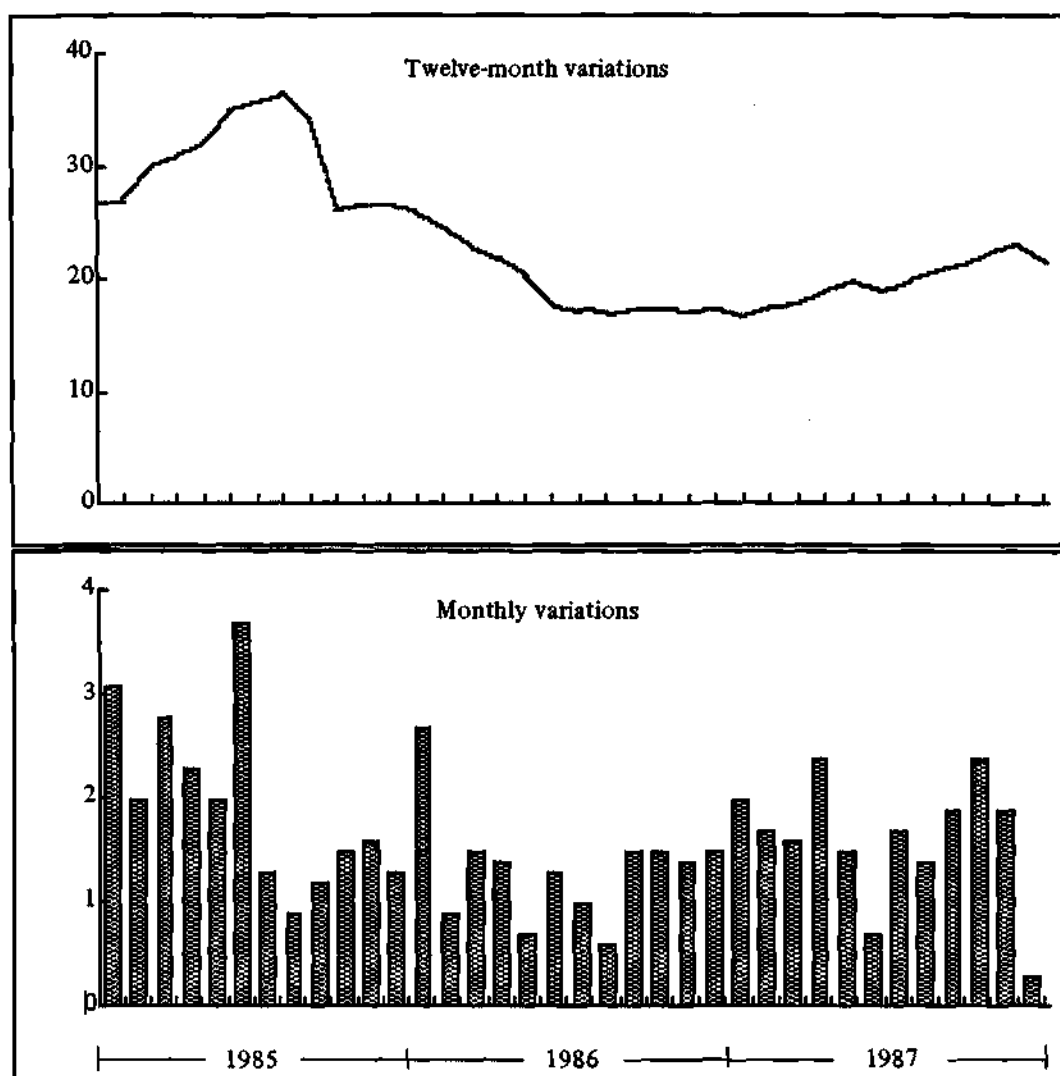
As a result of this reduction in the debt and of the rapid growth in the value of exports, the indexes of the external debt burden showed a noticeable improvement: 30% of exports were absorbed by the servicing of the debt in 1987 —as compared to 44% in 1986 and around 67% in the period 1982-1985— and the percentage of exports of goods and services represented by the external debt dropped to 32.5%, the lowest coefficient since 1981 (see table 23). Nevertheless, as was mentioned earlier, the country's net transfer of resources abroad continued to amount to approximately 4% of the gross domestic product.

4. Prices and wages

a) *Prices*

Inflation increased slightly in 1987: the December-to-December variation in the consumer price index was 21.5%, which was four points higher than that of the preceding year and seven points higher than the projection made at the beginning of the year. On the other hand, the wholesale price index rose by somewhat more than 17%, which was one point less than in 1986. The variations between the annual averages of both indexes were almost the same as those of the year before (see table 24 and figure 4).

Figure 4
CHILE: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of data from the National Statistical Institute (INE).

The upturn in inflation was associated with the behaviour of oil prices (which, after having dropped sharply in 1986, rose again in 1987) with the fall of the dollar in international markets (which raised the dollar-denominated prices of imports and exports), with the rise in the prices of agricultural products (as a consequence of the severe floods which affected vast areas of the country) and with the delayed effect of the significant increase in the quantity of money in the economy which had occurred in late 1986. The upward trend of inflation was halted towards the end of the year, however, once the restrictive measures implemented as of April began to take effect.

b) *Wages*

Real average remunerations suffered a slight contraction (-0.3%), thus continuing the downward trend started in 1982, which had been interrupted only in 1986. As in the previous four

years, real minimum income dropped more markedly (-0.6%). With this further decrease, real average remunerations showed a cumulative drop of 13% and the minimum wage one of over 40% since 1981 (see table 25 and figure 5). These may be compared with the decline of around 12% in per capita national income.

The decrease in salaries and wages was linked to the upsurge in inflation. Given that, in general, wages are readjusted on the basis of past inflation, an acceleration of the inflationary process usually tends to reduce the purchasing power of wages; on the other hand, when a moderation of inflation is achieved without producing a recession, then the purchasing power of salaries and wages increases.

At the sectoral level, salary and wage trends were very uneven. In the fastest-growing sectors (construction and industry), increases were recorded in real average wages. In the mining sector, on the other hand, which remained stagnant during the year, the purchasing power of wages and salaries declined. The index of real salaries and wages also showed a decrease in the community and social services sector, which basically includes government employment. This drop was linked to the fiscal policy effort to reduce public-sector current expenditure, as a result of which average salaries in this sector were 25% below the real maximum levels achieved in 1982.

5. Monetary and fiscal policy

a) *Monetary policy and interest rates*

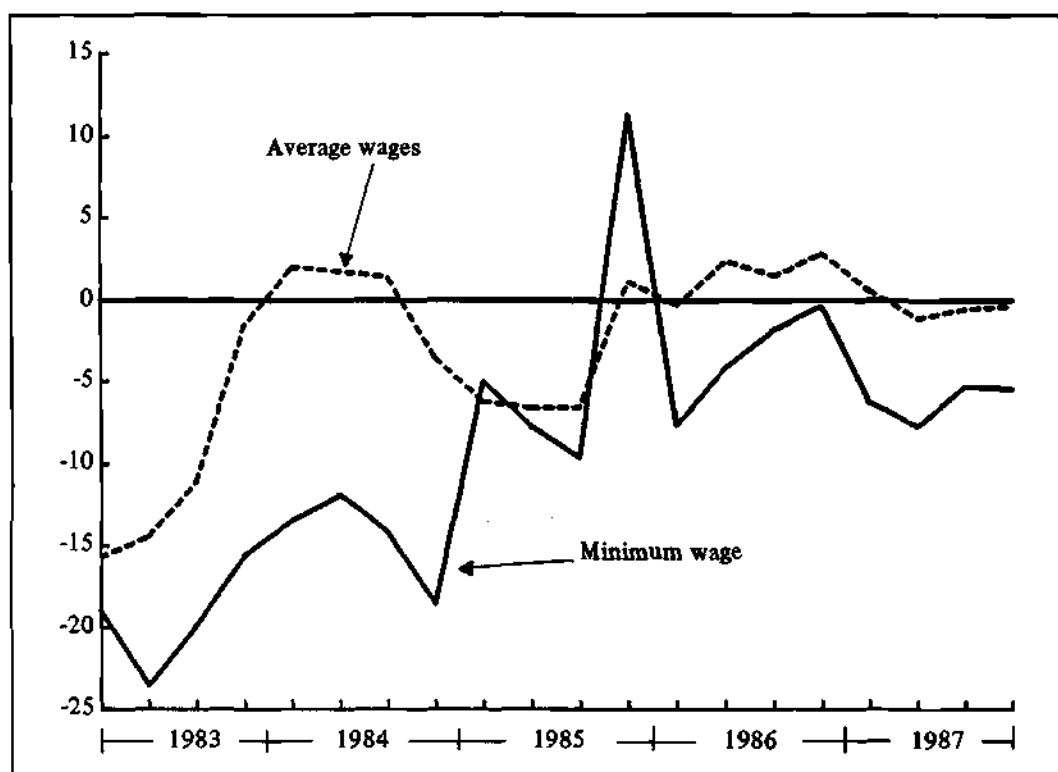
In 1987 the authorities' monetary and fiscal policies were designed to provide the economy with the necessary liquidity for its normal operation, taking into account the targets set in respect of the control of inflation and the achievement of a balance-of-payments equilibrium. Thus, the growth in the demand for money was projected on the basis of expected product growth, interest rates and the target set for inflation, and an effort was made to regulate the growth of domestic credit supplied by the Central Bank, bearing in mind the country's balance-of-payments objective. Targets for each one of these items were established in joint agreement with the International Monetary Fund.

The main vehicle for the government's monetary policy was the regulation of Central Bank domestic credit. Although the interest rate did not constitute an explicit monetary-policy objective, the Central Bank established a frame of reference for both the nominal interest rate and the real interest rate which was based on the deposit and lending rates of its own financial instruments. Indeed, the "suggested interest rate" policy (which had consisted of Central Bank recommendations as to the rate which the financial system should pay on deposits) was discontinued in 1987 and was replaced by the practice of issuing readjustable instruments. International interest rates were taken into consideration in setting the rate on deposits of Central Bank instruments so as to reduce any pressure that might be exerted on the foreign exchange market.

Monetary expansion slackened notably. In fact, both money issues and the private-sector money supply increased at rates which were well below those of the two preceding years (see table 26). The cause of this decline was associated with the symptoms of an "overheating" of the economy which began to be seen early in the year and which took the form of an upsurge of inflation and an increase in imports that was out of keeping with the country's balance-of-payments targets.

These symptoms of excess demand arose despite the fact that during the early months of the year domestic credit had increased at rates similar to those agreed upon with the International Monetary Fund. The problem appears to have arisen out of the delayed effect of the sharp expansion in the money supply that occurred during 1986, a year in which the private-sector money supply had risen by 44%, the product had grown by 5% and inflation had been 17%. This increase in the money supply was initially interpreted as being a result of the rise in the demand for money that was spurred by the reduction in the interest rate and expectations regarding inflation. However, the symptoms of an increase in overall spending which appeared in early 1987 caused the authorities to reconsider their initial hypothesis and prompted them to implement a programme geared towards achieving a "mini-adjustment". To this end, the interest rate on financial instruments issued by the Central Bank was raised, with the financial system following suit, and in general a more restrictive policy was applied (see table 27). As a result of this, the growth rate of issues was 14 points lower than that registered the previous year and the rate of increase in the private-sector money supply dropped from

Figure 5
CHILE: TWELVE-MONTH VARIATIONS IN REAL WAGES
(Percentages)



Source: ECLAC, on the basis of data from the National Statistical Institute (INE).

44% to less than 8% (see table 26). Due to the momentum of the inflation rate, the real money supply began to decrease towards the end of the year; thus, the 12-month growth rates of the real money supply dropped steadily from 21.5% in the fourth quarter of 1986 to 19.2%, 10.0%, -3.1% and -12% during the four quarters of 1987. The "mini-adjustment" had the hoped-for effects: the growth of imports slowed in the second half of the year, and, as was already mentioned, inflation began to slacken towards the end of the year.

b) *Fiscal policy*

Since 1984, when the structural adjustment programme was first put into effect, fiscal policy has had three basic aims. The first has been to reduce the public-sector deficit in order to eliminate fiscal pressure on the government's monetary policy and, in so doing, to help curb inflation and the balance-of-payments disequilibrium. The second has been to increase public investment. Finally, the third has been to reduce the public sector's role in the economy, both by reducing the tax burden and by privatizing State enterprises. The effort to lessen the public sector's involvement in the economy has been based on the premise that the private sector should be the main agent of economic growth and on the view of the State as having a potentially dampening effect on private enterprise.

The authorities' macroeconomic programme provided for a reduction in the non-financial public-sector deficit from 2.2% of the gross domestic product in 1986 to 1.6% in 1987. Concurrently, public investment was to decline from 7.7% to 7.5% of the product, but its absolute level was expected to increase as a result of the growth in overall economic activity. Lastly, public saving was to rise from 4.4% to 4.8% of the product.

According to data provided by the General Comptroller of the Republic, the results surpassed these objectives. For the first time since 1982, a surplus was achieved in the overall balance of the non-financial public sector of over 2% of the gross domestic product,³ public saving was equivalent to 5.3% of the gross domestic product—half a point over its projected level—and public investment represented 7.3% of the product, which was slightly below the projection, but only because the product grew more than was forecast.

These results were made possible by the fact that revenues were higher than projected and effective expenditure was lower than expected. Indeed real public-sector revenue grew by 9.3%, whereas the projected increase had been slightly under 3%. This difference was essentially due to the higher level of receipts from the value added tax levied on imports and to the increase in revenue from copper mining enterprises resulting from the fact that copper prices rose more than expected. For its part, expenditure dropped by half a point in real terms, whereas it had been expected to grow by 4%. The difference here was due largely to the real deterioration of salaries and wages, social security benefits and current transfers as a consequence of the upsurge in inflation.

At the central government level, the net surplus (i.e., the difference between current income and total expenditure, excluding amortization payments on the government debt) rose to US\$500 million; this was equivalent to nearly 3% of the gross domestic product, which was the highest figure recorded in the last two decades except for the one corresponding to the surplus obtained in 1980 (see table 28).

Finally, it is important to note that the increase in revenues occurred at the same time as the tax reductions that were made with a view to the objective of lowering the tax burden. Indeed, towards the end of the year various changes were introduced into the tax laws, among which was the elimination of the special tax on colour television sets, an average reduction of 10% in the tax levied on the more powerful types of automobiles and a decrease from 40% to 35% in the income tax to be paid by foreign companies on their profit remittances.

c) *The financial situation*

The transfer over to the private sector of the last few of the financial institutions which had remained in receivership since the 1983 financial crisis was completed in 1987. Insolvent institutions were recapitalized with funds provided by new shareholders, who purchased preferred stock through the process referred to as "popular capitalism", by some inputs from previous shareholders and, to a large extent, by promissory notes issued by the Central Bank in exchange for financial assets (potentially unrecoverable loans). These assets, commonly known as the "portfolio of overdue loans" were purchased by the monetary authority on the basis of a commitment on the part of the financial institutions to repurchase them at a later date. By law, these institutions must earmark for such repurchases a significant portion of the profits left over after they have deducted the dividends paid to holders of preferred stock from their surpluses.

During 1987 the surpluses obtained by these financial institutions averaged nearly 17% of their capital and reserves, which was a post-crisis record. However, their profits were still insufficient to permit them to complete the repurchasing of their overdue loan portfolios within a relatively short period of time. A significant part of the surpluses obtained by these banks was accounted for by their intermediation in operations involving external debt paper and by the interest accrued on the securities they received from the Central Bank in exchange for their overdue loan portfolios.

Loans made by the financial system rose by only 3.6% in real terms. In contrast, deposits increased by over 14% in real terms, which reflected a greater degree of confidence in the system on the part of the public. The increase in financial-system deposits by the public more than offset the decrease in the amount of external funds flowing into the system and thus allowed it to increase its lending.

Finally, the financial situation of business enterprises improved considerably. The results of a survey of 80 corporations (primarily large companies) indicated that the debt/capital ratio fell from 1.08 in late 1986 to 0.75 in the third quarter of 1987.

³ More than half of the surplus was accounted for by non-recurrent receipts from the sale of public enterprises.

Table 1

CHILE: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	105.2	91.5	91.0	96.5	98.8	104.1	109.7
Gross national income	101.3	81.4	81.7	85.2	85.0	90.7	98.5
Population (millions of inhabitants)	11.3	11.5	11.7	11.9	12.1	12.3	12.5
Per capita gross domestic product	103.5	88.5	86.5	90.2	90.9	94.1	97.6
Growth rates							
B. Short-run economic indicators							
Gross domestic product	5.2	-13.0	-0.1	6.0	2.4	5.3	5.4
Per capita gross domestic product	3.5	-14.5	-2.2	4.3	0.8	3.6	3.7
Gross national income	1.3	-19.6	0.4	4.3	-0.2	6.8	8.7
Unemployment rate ^b							
Greater Santiago	11.1	22.1	22.2	19.3	16.3	13.5	12.3
Nationwide	11.2	19.6	16.7	15.4	12.9	10.5	9.3
Consumer prices							
December to December	9.5	20.7	23.1	23.0	26.4	17.4	21.5
Variation between annual averages	19.7	9.9	27.3	19.9	30.7	19.5	19.9
Real wages and salaries	8.9	-0.2	-10.7	0.1	-3.8	1.7	-0.3
Money	2.1	-19.7	21.1	7.1	34.4	51.4	11.5
Current government income	22.1	-4.9	21.2	23.7	44.6	30.6	33.6
Net government expenditure	32.3	10.0	26.7	23.4	40.6	22.6	21.4
Net deficit/gross domestic product	-2.5	1.3	2.5	2.4	1.8	-	-2.7
Current value of exports of goods and services	-16.1	-7.3	-0.3	-2.9	-0.6	12.6	25.4
Current value of imports of goods and services	17.5	-39.2	-19.3	13.5	-14.7	9.2	28.3
Terms of trade (goods and services)	-8.4	-15.9	2.5	-5.4	-8.6	5.7	4.4
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-3 245	-379	578	-102	547	750	816
Net payments of profits and interest	1 463	1 921	1 743	2 018	1 901	1 887	1 695
Balance on current account	-4 805	-2 373	-1 160	-2 118	-1 342	-1 135	-871
Balance on capital account	4 941	1 032	644	2 209	1 240	883	917
Variation in net international reserves ^c	93	-1 112	-652	263	-196	-113	46
Total external debt (gross)	15 591	17 159	18 037	19 659	20 403	20 716	20 551
Total external debt (net)	11 767	14 575	15 408	16 821	17 451	17 610	17 204

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cExcluding variation in reserves due to revaluation of gold.

Table 2

CHILE: GROSS NATIONAL INCOME

	Index (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross national income (a + b - c + d)	85.0	90.7	98.5	96.3	86.4	4.3	-0.2	6.8	8.7
a) Gross domestic product	98.8	104.1	109.7	100.0	100.0	6.1	2.5	5.4	5.5
b) Terms-of-trade effect	...	...	...	...	-7.5	-22.0	-43.0	4.4	3.9
c) Net external factor payments	209.1	212.9	174.0	-4.0	-6.3	13.5	-1.2	1.8	-18.3
d) Net private transfers from the exterior	81.9	71.4	88.6	0.3	0.2	-25.7	20.6	-12.8	24.1

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

Table 3

CHILE: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	90.9	96.6	103.4	127.1	119.0	7.0	0.3	6.3	7.0
Gross domestic product at market prices	98.8	104.1	109.7	100.0	100.0	6.0	2.4	5.3	5.4
Imports of goods and services ^b	62.0	69.3	80.3	27.1	19.8	12.2	-10.4	11.8	15.8
Total demand	90.9	96.6	103.4	127.1	119.8	7.0	0.3	6.3	7.0
Domestic demand	84.1	88.6	94.4	104.1	89.6	8.6	-3.4	5.4	6.5
Gross domestic investment	57.2	65.2	82.1	21.0	15.7	75.5	-6.6	14.1	25.8
Gross fixed investment	82.1	87.9	102.2	16.6	15.5	9.0	14.8	7.1	16.2
Construction	97.7	99.7	112.6	9.8	10.0	4.8	15.1	2.0	13.0
Machinery	60.1	71.3	87.4	6.9	5.5	19.9	13.9	18.7	22.7
Changes in stocks	-38.5	-21.8	4.7	4.3	0.2				
Total consumption	90.9	94.5	97.5	83.1	73.9	2.2	-2.9	4.0	3.2
General government	96.2	94.2	92.2	12.5	10.5	1.5	-0.3	-2.1	-2.1
Private	90.0	94.6	98.5	70.6	63.4	2.3	-3.4	5.2	4.1
Exports of goods and services ^b	121.8	132.8	144.0	23.0	30.3	1.5	14.2	9.1	8.4

Source: ECLAC, on the basis of figures supplied by the Central Bank of Chile and the International Monetary Fund.

^a Preliminary figures.^b The figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in dollars at current prices, which were then converted to constant 1980 values using price indexes calculated by ECLAC for the purpose.

Table 4

**CHILE: ORIGIN, COMPOSITION AND FINANCING
OF GROSS DOMESTIC INVESTMENT**

(As a percentage of the gross domestic product)^a

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Gross domestic investment	12.5	14.4	17.2	21.0	24.3	9.7	8.0	13.3	12.1	13.2	15.7
Construction	7.4	7.8	8.6	9.8	10.8	9.2	8.7	8.6	9.7	9.4	10.0
Machinery and equipment	5.0	5.7	6.1	6.9	7.6	4.8	3.3	3.8	4.2	4.7	5.5
Changes in stocks	0.1	0.8	2.5	4.3	5.9	-4.3	-4.0	1.0	-1.7	-0.9	0.2
Gross domestic saving	13.9	10.9	15.2	16.9	14.2	14.0	16.3	19.3	23.5	24.8	26.4
Net income from factor services	-2.7	-3.2	-3.3	-4.0	-5.8	-8.6	-8.1	-8.7	-8.4	-8.1	-6.3
Terms-of-trade effect ^c	-3.2	-0.9	-0.9	-	-1.7	-5.9	-5.6	-6.5	-9.0	-8.4	-7.7
Gross national saving	8.5	7.3	11.4	13.2	6.9	-0.3	2.8	4.4	6.3	8.4	12.5
External saving	3.9	7.1	5.8	7.8	17.4	10.0	5.3	9.0	5.8	4.8	3.1

Source: ECLAC, on the basis of data from the Central Bank of Chile.

^aAt market prices, in constant 1980 dollars, at the adjusted exchange rate.
unrequited private transfers.

^bPreliminary figures.

^cIncludes

Table 5

**CHILE: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980=100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	98.0	104.1	109.7	100.0	100.0	6.0	2.4	5.3	5.4
Goods	103.3	109.2	114.1	42.4	44.1	7.4	3.9	5.8	4.4
Agriculture ^b	109.6	119.1	124.5	7.2	7.6	7.1	5.6	8.7	4.5
Fishing	165.6	182.1	167.5	0.5	0.8	11.5	5.6	10.0	-8.0
Mining	119.2	120.9	120.9	8.6	9.4	4.4	2.2	1.4	-
Manufacturing	92.8	100.2	105.7	21.4	20.7	9.8	1.2	8.0	5.5
Construction	106.0	107.4	118.7	5.2	5.6	4.2	16.1	1.3	10.6
Basic services	104.7	112.6	121.6	7.0	7.8	6.3	4.8	7.5	8.0
Electricity, gas and water	118.0	125.7	130.5	2.1	2.5	7.0	3.5	6.5	3.8
Transport, storage and communications	98.9	106.9	117.7	4.9	5.3	6.0	5.5	8.1	10.1
Other services	92.5	91.1	95.5	50.2	48.1	3.0	1.8	-1.6	4.8
Commerce, restaurants and hotels	88.8	93.7	100.7	16.3	15.0	5.0	1.7	5.5	7.5
Financial establishments, insurance, real estate and business services	96.7	100.8	106.1	17.2	33.1	4.7	0.4	4.2	5.2
Ownership of dwellings				7.4					
Community, social and personal services				16.7					
Government services				5.1					
Adjustment for bank services				5.2					
Import duties				5.6					

Source: ECLAC, on the basis of official figures which were then re-weighted according to the 1980 current price structure. Therefore, the figures given here do not necessarily coincide with those published by the countries in their calculations at constant prices.

^aPreliminary figures. ^bIncludes stock-raising and forestry.

Table 6

CHILE: INDICATORS OF TRADITIONAL CROPS

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Production									
Value ^b	130.4	165.0	181.8	213.8	224.8	45.0	10.2	17.6	5.1
Volume ^c									
Wheat	686.0	988.3	1 164.7	1 625.8	1 874.1	68.7	17.8	39.6	15.3
Oats	130.7	163.0	170.4	124.4	127.5	11.4	4.5	-27.0	2.5
Barley	91.4	73.5	85.0	88.1	48.3	0.4	15.6	3.6	-45.2
Rye	9.2	4.4	11.5	8.6	4.8	-2.2	161.9	-25.0	-44.2
Rice	99.7	165.0	156.6	126.7	177.0	42.7	-5.1	-19.1	39.7
Maize	518.2	721.4	771.8	721.3	617.2	41.0	7.0	-6.5	-14.4
Potatoes	1 007.3	1 036.2	908.6	791.1	726.9	51.6	-12.3	-12.9	-8.1
Beans	138.2	94.1	100.7	89.2	81.2	11.5	7.0	-11.4	-8.9
Lentils	17.7	16.0	24.7	29.0	24.7	15.9	54.1	17.6	-14.8
Peas	11.0	6.3	6.3	4.8	5.2	10.5	-	-24.9	8.3
Chick peas	6.4	6.9	9.2	8.9	14.8	115.6	32.6	-3.3	66.3
Sugar beets	1 460.5	2 194.0	2 124.4	2 638.4	2 650.0	33.6	-3.3	24.2	0.4
Rape	26.9	4.1	31.9	97.1	95.1	41.4	678.0	204.4	-2.1
Sunflower	7.4	7.4	32.5	54.4	39.6	60.9	336.4	67.4	-27.2
Area sown^d	1 079	1 051	1 083	1 136	1 205	20.7	3.0	4.9	6.1
Wheat	432	471	506	569	677	31.2	7.4	12.5	19.0
Oats	80	96	85	64	55	12.9	-11.5	-24.7	-14.1
Barley	46	33	35	23	16	13.2	6.1	-34.3	-30.4
Rye	9	4	5	5	2	20.0	25.0	-	-60.0
Rice	31	40	39	32	37	33.3	-2.5	-18.0	15.6
Maize	126	138	131	105	87	16.9	-5.1	-19.9	-17.1
Potatoes	90	81	63	53	58	20.9	-22.2	-15.9	9.4
Beans	118	85	83	90	86	-1.2	-2.4	8.4	-4.4
Lentils	48	24	36	37	46	4.3	50.0	2.8	24.3
Peas	18	10	6	8	6	-	-40.0	33.3	-25.0
Chick peas	16	12	11	12	15	50.0	-8.3	9.1	25.0
Sugar beets	37	48	44	51	53	33.3	-8.3	15.9	3.9
Rape	24	4	19	57	47	33.3	275.0	200.0	-17.5
Sunflower	5	5	20	30	19	66.7	300.0	50.0	-36.7

Source: ECLAC, on the basis of data from the National Statistical Institute (INE).

^aPreliminary figures.^bMillions of pesos at 1974 prices.^cThousands of tons.^dThousands of hectares.

Table 7
CHILE: INDICATORS OF FRUIT-GROWING ACTIVITY

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Production ^b									
Plums	17.0	34.5	42.0	50.0	46.6	32.7	21.7	19.0	-6.8
Apricots	12.6	13.3	12.0	14.7	11.8	3.1	-9.8	22.5	-19.7
Peaches	78.2	80.0	76.7	80.2	75.5	-4.2	-4.1	4.6	-5.9
Lemons	66.7	58.0	64.8	71.0	68.6	-16.7	11.7	9.6	-3.4
Apples	245.0	410.0	425.0	515.0	550.0	12.3	3.7	21.2	6.8
Oranges	59.2	72.0	70.0	73.2	75.5	5.9	-2.8	4.6	3.1
Avocados	21.7	31.5	29.8	35.0	32.0	6.4	-5.4	17.4	-8.6
Pears	43.1	66.0	71.0	78.0	74.0	15.8	7.6	9.9	-5.1
Table grapes	85.0	225.0	276.2	307.5	370.0	14.6	22.8	11.3	20.3
Area planted ^c									
Total	62.5	88.0	96.7	105.1	112.4	10.4	9.9	8.7	6.9
Plums	3.2	7.2	7.9	8.4	9.1	12.5	9.7	6.3	8.3
Apricots	1.4	1.6	1.7	1.8	1.9	6.7	6.2	5.9	5.6
Peaches	6.4	6.9	7.0	7.5	7.9	-	1.4	7.1	5.3
Lemons	6.0	5.2	5.3	5.3	5.3	-	1.9	-	-
Apples	15.8	18.7	19.8	21.6	22.6	3.3	5.9	9.1	4.6
Oranges	5.2	6.2	6.3	6.4	6.5	3.3	1.6	1.6	1.6
Avocados	6.7	7.4	7.6	7.7	7.9	4.2	2.7	1.3	2.6
Pears	3.3	6.1	6.8	7.6	9.0	38.6	11.5	11.8	18.4
Table grapes	14.5	28.7	34.3	38.8	42.2	19.1	19.5	13.1	8.8

Source: Ministry of agriculture, Agricultural planning Office (ODEPA).

^aPreliminary figures. ^bThousands of tons. ^cThousands of hectares.

Table 8

CHILE: LIVESTOCK PRODUCTION

	Thousands of tons					Growth rates				
	1980	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Beef	162.3	196.8	174.8	177.1	174.6	6.9	-5.4	-11.2	1.3	-1.4
Poultry meat	109.6	74.3	72.6	79.8	89.5	-27.2	-15.0	-2.3	9.9	12.2
Pork	49.7	59.1	66.1	75.5	88.3	2.6	-0.2	11.8	14.3	16.9
Mutton	15.5	11.9	13.5	13.1	14.5	-10.7	-10.5	13.4	-2.5	10.7
Milk ^b	1 080.0	880.0	1 000.0	1 093.0	1 100.0	-14.8	-2.2	13.6	9.3	0.6
Eggs ^c	1 425.0	1 440.0	1 577.0	1 800.0	1 790.0	-3.7	0.7	9.5	14.1	-0.6
Greasy wool	20.6	21.4	20.3	21.3	22.0	-	-0.9	-5.1	4.7	3.3

Source: Beef, pork and mutton: National Statistical Institute (INE); other livestock items: Agricultural Planning Office (ODEPA).

^a Preliminary figures.

^b Millions of litres.

^c Millions of units.

Table 9

CHILE: AREA AFFORESTED

(Thousands of hectares)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Total	79.0	52.0	72.2	92.8	68.6	76.3	93.6	96.3	66.2	67.5
National Forestry Corporation	24.9	0.4	0.1	...	...	21.8	40.3	24.2	...	...
Private enterprises	54.1	51.6	72.1	92.8	68.5	54.5	53.3	72.1	66.2	...

Source: National Forestry Corporation (CONAF).

^a Preliminary figures.

Table 10

CHILE: INDICATORS OF FISHERY PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Fishery product^b	54.7	86.2	91.0	100.0	92.1	11.5	5.6	10.0	-8.0
Fishing catch^c	2 829	4 674	4 986	5 696	4 391	12.1	6.7	14.2	-13.4
Fish	2 700	4 363	4 660	5 415	4 647	13.3	6.8	16.2	-14.2
Fresh consumption	75	54	123	114	116	-1.8	127.8	-7.3	1.8
Industrial processing	2 625	4 309	4 537	5 301	4 530	13.5	5.3	16.8	-14.5
Shellfish	117	136	145	157	167	7.9	6.6	8.3	6.4
Fresh consumption	54	44	47	45	40	-8.3	6.8	-4.3	-11.1
Industrial processing	63	92	98	112	127	17.9	6.5	14.3	13.4
Seaweed	75	175	182	124	117	-7.9	4.0	-31.9	-5.6
Output of fishery products^d	734.6	1 307.3	1 389.6	1 628.5	1 448.4	33.5	6.3	17.2	-11.1
Frozen	13.5	51.2	48.7	58.1	70.5	-2.3	-4.9	19.3	21.3
Canned	38.0	49.2	44.7	62.2	69.5	18.0	-9.1	39.1	11.7
Fishmeal	571.9	1 022.7	1 111.6	1 282.2	1 081.1	23.6	8.7	15.3	-15.7
Fish oil	111.0	184.0	184.1	224.9	224.9	222.8	0.1	22.2	-
Other	0.2	0.2	0.5	0.9	2.4	100.0	150.0	80.0	166.7

Source: Ministry of the Economy, Development and Reconstruction National Fisheries Service.

^aPreliminary figures.^bMillions of dollars at 1970 prices.^cThousands of tons.^dThousands of tons of finished product.

Table 11

CHILE: MINING PRODUCTION

	Production					Growth rates			
	1980	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Mining sector product^b	1 124	1 311	1 340	1 321	1 321	4.3	2.2	1.4	-
Copper^c	1 068	1 290	1 357	1 400	1 418	2.6	5.2	3.2	1.3
Large-scale mining	905	1 050	1 078	1 102	1 091	3.7	2.7	2.2	-1.0
Medium- and small-scale mining	163	240	279	298	327	2.0	16.3	6.8	9.7
Iron ore^c									
Ore	8 835	7 116	6 494	7 020	6 823	19.1	-8.7	8.1	-2.7
Pellets	3 179	3 375	3 605	3 102	3 576	9.9	6.8	-14.0	15.3
Coal^d	1 024	1 328	1 256	1 454	1 516	20.8	-5.1	15.8	4.3
Petroleum^e	1 933	2 237	2 074	1 940	1 737	-2.0	-7.3	-6.5	-10.5
Molybdenum^f	13 668	16 861	18 389	16 317	16 856	10.4	9.1	-11.3	1.7
Gold^g	6 836	16 829	17 240	17 938	16 503	-5.4	2.4	7.8	-8.0
Silver^h	299	491	517	500	497	4.9	5.3	-3.3	-0.6

Source: Copper: Chilean Copper Commission (CODELCO), and State Mining Service; iron ore: National Statistical Institute (INE); coal: National Coal Corporation; petroleum: National Petroleum Corporation (ENAP); molybdenum: State Mining Service and National Statistical Institute; gold and silver: National Statistical Institute.

^aPreliminary figures.^bMillions of dollars at 1970 prices.^cThousands of tons.^dThousands of gross tons.^eThousands of cubic metres.^fTons.^gKilogrammes fine.

Table 12

CHILE: INDICATORS OF MANUFACTURING ACTIVITY

	Indexes (1980 = 100)					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Industrial product ^b	1 942	2 131	2 159	2 332	2 460	9.8	1.2	8.0	5.5
Industrial output									
INE ^c	94.5	103.9	104.0	112.6	117.3	9.9	0.1	8.3	4.2
SOFOFA	89.5	98.7	98.8	106.3	113.1	10.3	0.1	7.6	6.4
Mass consumer goods	92.5	100.3	98.3	108.6	114.6	8.4	-2.0	10.5	5.5
Consumer durables	40.7	54.3	48.7	69.4	79.2	33.5	-10.3	42.5	14.1
Transport equipment	35.8	52.5	53.3	48.6	65.3	46.9	1.4	-8.8	34.4
Capital goods	62.2	72.7	84.1	95.4	95.7	16.7	15.8	13.4	0.3
Intermediate goods for:									
Industry	105.1	114.0	116.0	121.8	125.8	8.4	1.7	5.0	3.3
Construction	79.4	95.2	92.8	104.3	124.8	19.9	-2.4	12.4	19.7
Mining	91.7	98.7	100.8	116.3	122.2	7.6	2.2	15.4	5.1
Forestry and agriculture	142.6	178.6	182.1	219.1	198.3	25.3	1.9	20.3	-9.5
Containers and accessories	95.5	106.1	106.4	111.7	124.0	11.1	0.3	5.0	11.0
Energy, fuels and lubricants	84.1	84.4	84.5	88.8	94.9	0.4	-	5.1	6.9
Office furniture and equipment	79.2	104.3	93.0	83.0	96.5	31.7	-10.8	-10.8	16.3
Industrial sales									
INE ^c	94.2	101.1	104.3	111.4	116.3	7.3	3.2	6.8	4.4
SOFOFA	90.7	98.8	100.9	107.7	114.7	8.9	2.1	6.7	6.5

Source: Industrial product: National Planning Office (ODEPLAN); industrial output: National Statistical Institute (INE) and Sociedad de Fomento Fabril (SOFOFA); industrial sales: Sociedad de Fomento Fabril.

^a Preliminary figures. ^b Millions of dollars at 1970 prices. ^c Indexes 1979 = 100.

Table 13

CHILE: CONSTRUCTION INDICATORS

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Construction product ^b	418	443	449	497	4.2	16.2	1.3	10.6
Building materials								
Deliveries of cement for the domestic market ^c	35.4	33.5	33.8	37.5	11.1	1.8	0.8	10.9
Deliveries of reinforcement rods for construction ^d	107.6	66.9	85.2	84.8	43.9	2.0	27.4	-0.5
Index of real sales of intermediate goods for construction (1980 = 100)	100.0	97.0	...	126.0	19.5	1.4	10.0	18.1
Building								
Total area ^e	4 297	3 261	3 247	3 840	13.5	19.1	-0.4	18.3
Public sector ^f	265	87	205		-31.9	7.4	135.6	
Private sector ^g	4 032	3 174	3 042		15.8	19.5	-4.2	
Residential	3 058	2 603	2 413	2 907	15.8	22.7	-7.3	20.5
Non-residential	1 239	658	834	933	6.0	7.0	26.7	11.9
Total number of dwellings	43 310	51 306	42 332	48 278	21.4	23.1	-17.5	14.0
Public sector ^f	1 589	324	657		-76.8	65.3	102.8	
Private sector ^g	41 721	50 982	41 675		23.9	22.9	-18.3	

Source: Construction product: ECLAC, on the basis of data supplied by the National Planning Office (ODEPLAN); building materials: Chilean chamber of construction; building: National Statistical Institute (INE).

^a Preliminary figures. ^b Millions of dollars at 1970 prices. ^c Millions of bags. ^d Thousands of tons.
^e Thousands of m². ^f Building starts in 80 communes. ^g Permits approved.

Table 14

**CHILE: RATES OF PARTICIPATION AND UNEMPLOYMENT
BY REGIONS**

	1983	1984	1985	1986	1987 ^a	1986				1987 ^a			
						I	II	III	IV	I	II	III	IV
Global participation rate^b													
Whole country	48.4	48.6	48.6	48.6	49.2	48.8	...	48.3	...	49.3	...	49.1	...
Greater Santiago	52.2	52.5	52.3	52.5	53.3	53.6	51.1	52.8	52.4	53.7	53.0	53.8	52.8
Unemployment rate^c													
Whole country	22.3	18.8	16.3	13.9	12.8	13.9	...	13.9	...	12.6	...	12.9	...
Urban	23.8	20.3	17.5	14.6	13.3	14.7	...	14.4	...	13.3	...	13.3	...
Rural	15.4	12.5	11.5	11.1	10.2	10.5	...	11.7	...	9.1	...	11.2	...
Greater Santiago	22.2	19.3	16.3	13.5	12.3	14.5	15.4	13.5	10.6	13.1	13.5	11.8	10.6
Unemployment rate^d													
Whole country	16.7	15.4	12.9	10.5	9.3	11.8	11.0	10.5	8.8	8.9	10.3	10.0	7.9
Northern zone (Regions I to IV)	16.7	14.0	12.1	10.4	7.9	12.6	11.8	9.2	7.9	8.6	7.9	7.8	7.4
Central zone (Regions V to VII) ^e	19.1	16.1	11.7	10.0	7.8	10.2	10.6	9.9	9.1	7.6	8.8	9.0	5.7
Southern zone (Regions VIII to XII)	13.5	10.5	7.7	7.1	5.8	7.2	7.8	7.6	5.9	5.6	6.5	6.1	5.0
Greater Santiago	19.2	19.0	17.2	13.2	11.9	15.8	12.9	13.2	11.0	11.2	13.3	13.0	10.2
Greater Valparaíso	23.4	22.8	16.0	13.5	10.8	13.3	13.3	10.8	16.7	11.8	12.8	10.8	8.1
Greater Concepción	14.7	12.3	11.6	10.1	11.1	10.3	11.2	11.3	7.5	12.0	12.1	9.5	10.8

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.^b Labour force, as a proportion of the population aged 14 and over.^c According to the

Department of Economics of the University of Chile, on the basis of Surveys carried out for Greater Santiago in March and September of each year.

^d According to the National Statistical (INE); 1983: averages for May-June, July-September and

October-December; 1984, 1985 and 1986: quarterly averages.

^e Does not include the Santiago Metropolitan Region.

Table 15

CHILE: UNEMPLOYMENT RATES IN GREATER SANTIAGO*(Percentages)*

	Annual averages									
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total rate of unemployment according to:										
Department of Economics of the University of Chile	14.0	13.6	11.8	11.1	22.1	22.2	19.3	16.3	13.5	12.3
National Statistical Institute	13.7	13.4	11.8	9.0	20.0	19.2	19.0	17.2	13.1	11.9
Rate of unemployment^a										
Total	10.5	10.1	8.7	8.5	18.8	18.4	15.7	13.0	10.8	9.9
Industry	11.8	13.1	11.9	11.8	26.7	25.9	19.5	14.9	12.9	11.0
Construction	23.5	24.5	16.5	16.4	49.4	49.0	34.9	27.9	25.1	19.3
Commerce	8.8	8.3	6.4	5.9	14.5	16.0	13.1	11.1	9.7	9.5
Government and financial services	7.5	5.4	5.8	5.9	9.9	11.7	15.8	13.7	9.7	8.9
Personal and household services	10.8	8.9	8.4	7.0	12.9	15.6	12.5	11.5	9.7	8.9
Community and social services	7.0	5.9	5.6	4.8	10.3	10.7	11.0	8.2	6.6	6.7
Non-manual workers	8.0	7.5	5.3	6.3	15.6	17.9	14.3	11.8	8.9	8.7
Manual workers	16.5	16.0	14.5	14.4	28.9	24.9	22.0	18.4	15.8	14.4
Self-employed workers	6.0	6.1	4.5	3.1	9.1	10.3	9.3	7.4	7.1	5.2
Percentage breakdown of unemployed										
Non-manual workers	25.9	25.2	25.0	26.7	30.1	34.3	31.2	31.6	29.7	32.0
Manual workers	63.1	63.3	64.9	66.0	61.1	56.3	57.6	57.3	58.2	57.9
Self-employed workers	10.9	11.3	9.7	7.1	8.3	8.9	10.7	10.4	11.8	9.6

Source: Department of Economics of the University of Chile and National Statistical Institute (INE).

^a According to data from the Department of Economics of the University of Chile.

Table 16

CHILE: GOVERNMENT EMPLOYMENT PROGRAMMES

	Thousands of persons ^a			As a percentage of the labour force ^b		
	Whole country	Metropolitan Region	Rest of country	Whole country	Metropolitan Region	Rest of country
Minimum Employment Plan						
1975 ^c	72.7	19.6	53.1	3.8	...	...
1976	157.8	34.9	122.9	5.9	3.2	7.7
1977	177.2	36.4	140.8	5.3	2.5	7.1
1978	132.2	29.0	103.2	3.2	1.7	4.2
1979	120.8	21.8	99.0	4.0	1.7	5.6
1980	178.0	28.1	149.9	5.4	2.0	7.8
1981	171.3	23.2	148.1	4.9	1.6	6.9
1982	225.3	35.6	189.7	8.6	4.1	11.6
1983	341.6	80.9	260.7	9.2	4.3	9.7
1984	167.6	13.0	154.6	4.5	0.5	7.3
1985	134.3	8.3	126.0	3.5	0.5	4.7
1986	81.0	7.2	73.8	1.9	0.4	2.9
1987 ^d	35.7	4.4	31.3	0.8	0.2	1.2
Programme to Reactivate Employment for Heads of Households						
1982 ^e	81.2	30.6	50.6	1.9	1.7	2.1
1983	161.2	110.6	50.6	4.4	10.1	3.3
1984	168.7	117.7	51.0	4.5	7.4	3.5
1985	190.0	113.7	76.3	4.9	6.5	3.0
1986	140.4	91.6	48.8	3.3	5.3	1.9
1987 ^d	83.5	64.3	24.1	1.9	3.6	0.9

Source: ECLAC, on the basis of data from the National Statistical Institute (INE).

^a Annual averages. ^b For the period October-December of each year, due to the unavailability of complete information on the nationwide labour force before the second half of 1983. For 1982, the figures correspond to the period October-November. Figures for 1985 are an ECLAC estimate because comparable figures are not available due to changes in the INE survey methodology. ^c The Minimum Employment Plan was set up in March 1975. Consequently, the figures for that year are an average for the period March-December. ^d Preliminary figures. ^e This programme was set up in October 1982. Consequently, the figures for that year are an average for the last quarter.

Table 17

CHILE: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	-18.5	-3.4	3.4	-4.7	4.2	10.4	24.4
Volume	-6.5	16.7	5.0	0.8	18.1	6.6	5.8
Unit value	-12.8	-17.2	-1.5	-5.5	-11.8	3.5	17.6
Imports FOB							
Value	19.1	-44.1	-21.9	18.0	-12.0	4.9	28.9
Volume	20.1	-41.4	-13.1	17.0	-6.8	10.2	14.5
Unit value	-0.8	-4.5	-10.2	0.9	-5.5	-4.8	12.5
Terms of trade	-12.6	-13.8	9.1	-7.0	-6.9	8.6	4.7
Indexes (1980 = 100)							
Purchasing power of exports	81.7	82.1	94.0	88.2	96.9	112.3	124.3
Volume of exports	93.5	109.1	114.5	115.4	136.3	145.4	153.8
Volume of imports	120.1	70.4	61.1	71.5	66.6	73.4	84.1
Terms of trade (FOB/CIF)	87.4	75.3	82.1	76.4	71.1	77.2	80.9

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 18

CHILE: PRICE OF COPPER ON THE LONDON METAL EXCHANGE

(Percentages)

	Nominal price (US cents of each year)	Price indexes (1970 = 100)		Real price (US cents at 1970 prices)	
		United State whole- sale prices	Unit value of Chilean imports of goods and services		
				(1/2)	(1/3)
	(1)	(2)	(3)	(4)	(5)
1960-1964	32.4	86.3	84.1	37.5	38.5
1965-1970	61.0	93.0	93.5	65.5	65.3
1971-1972	49.0	105.6	106.1	46.4	46.2
1973-1974	87.1	133.6	152.3	65.2	57.2
1975-1987	70.6	233.7	293.3	30.2	24.1
1980	99.2	243.4	346.6	40.8	28.6
1981	79.0	265.5	350.8	29.8	22.5
1982	67.2	271.1	346.3	24.8	19.4
1983	72.2	274.8	324.1	26.3	22.3
1984	62.5	281.6	327.9	22.2	19.1
1985	64.3	280.1	312.3	23.0	20.6
1986	62.3	271.8	304.8	22.9	20.4
1987	81.0	279.1	337.4	29.0	24.0
First quarter	63.4	273.9	...	23.1	...
Second quarter	69.2	278.3	...	24.9	...
Third quarter	79.6	281.4	...	28.3	...
Fourth quarter	111.3	282.4	...	39.4	...

Source: Central Bank of Chile, International Monetary Fund and ECLAC estimates.

Table 19

CHILE: VALUE AND BREAKDOWN OF EXPORTS OF GOODS

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total exports of goods	3 650	3 804	4 199	5 224	100.0	100.0	-4.7	4.2	10.4	24.4
Traditional products	2 324	2 455	2 525	3 162	61.6	60.5	-10.1	5.6	2.9	25.2
Copper	1 604	1 789	1 757	2 235	45.1	42.8	-14.5	11.5	-1.8	27.2
Iron ore	111	92	88	101	3.3	1.9	-1.2	-17.3	-3.4	14.1
Nitrate and iodine	74	85	92	99	1.9	1.9	-11.2	14.4	8.6	6.9
Fish meal	276	279	315	363	5.0	6.9	-10.2	1.2	12.9	15.0
Paper, wood pulp, paperboard and related products	259	210	272	365	6.3	7.0	24.7	-18.9	29.5	34.1
Non-traditional products	1 328	1 350	1 674	2 062	38.4	39.5	6.6	1.6	24.0	23.2
Mining products	173	156	158	169	5.2	3.2	-34.7	-10.1	1.8	6.8
Agricultural and marine products	429	515	683	796	7.2	15.2	30.8	20.1	32.6	16.6
Crop-farming products	346	425	563	614	5.2	11.8	36.3	22.9	32.5	9.0
Livestock products	29	27	39	56	0.8	1.1	9.5	-7.3	47.0	42.4
Forestry products	2	1	2	3			-21.7	-27.8	30.8	52.9
Fishery products	52	62	79	124	1.2	2.4	15.1	19.5	27.3	56.9
Manufactured products	726	679	832	1 096	26.0	21.0	11.2	-6.5	22.6	31.7
Food and beverages	145	142	215	281	3.5	5.4	13.5	-1.7	51.2	30.7
Lumber	116	112	135	217	6.1	4.2	-0.1	-3.7	20.5	61.0
Chemicals and petroleum products	80	96	89	102	3.5	2.0	36.0	20.5	-7.6	15.2
Basic metal industries	302	280	281	349	10.0	6.7	3.5	-7.3	0.3	24.3
Metal products, machinery, and other electronic products	20	18	31	39	1.4	0.7	-3.9	-8.7	72.1	26.0
Transport equipment	42	17	54	32	0.9	0.6	45.2	-59.4	214.6	-40.3
Other	21	14	28	76	0.6	1.4	140.2	-35.4	105.9	172.3

Source: Central Bank of Chile.

^aPreliminary figures.

Table 20

CHILE: EXCHANGE RATES

Annual and quarterly average	Nominal exchange rates (pesos per dollar)		Indexes of real effective exchange rate ^{bc}			
	Official	Parallel ^d	Exports		Imports	
			A	B	A	B
1970-1979	11		128.2	98.1	123.7	94.8
1980	39		100.0	100.0	100.0	100.0
1981	39		90.1	82.9	92.9	85.5
1982	51	...	107.2	95.5	112.3	100.0
1983	79	92	113.8	112.9	117.7	116.8
1984	99	113	114.2	116.6	118.6	121.1
1985	161	180	132.1	144.9	138.1	151.4
1986	193	206	146.4	165.5	145.6	164.5
1987	220	231	151.8	173.8	144.8	165.8
1985						
I	136	139	120.1	128.6	127.8	136.8
II	152	172	125.6	136.6	132.2	143.8
III	176	200	137.5	153.5	143.1	159.7
IV	181	210	145.1	160.7	149.4	165.4
1986						
I	187	202	150.7	164.5	152.2	166.1
II	189	199	147.3	162.2	146.8	161.6
III	195	207	143.5	167.4	141.7	165.3
IV	202	216	144.0	167.8	141.5	165.0
1987						
I	206	217	154.3	169.9	146.2	161.0
II	214	227	152.6	172.9	145.3	164.7
III	225	235	146.2	172.6	140.6	166.1
IV	233	246	154.3	179.9	147.0	171.5

Source: ECLAC, on the basis of data supplied by the Central Bank of Chile and the International Monetary Fund.

Note: A: For deflation, the domestic products sub-index of the wholesale price index was used.

B: For deflation, the revised consumer price index prepared by J. Yañez was used for the years 1970-1973, the revised consumer price index prepared by R. Cortázar and J. Marshall was used for the year 1975-1978, and the INE consumer price index was used from 1979 onwards.

^dECLAC estimates. ^bThese indexes correspond to the average of the indexes of the real (main official) exchange rate for the peso vis à vis the currencies of Chile's main trading partners, weighted according to the relative significance of exports to those countries or imports from them, as appropriate. For the period from 1970 to 1980, these weightings correspond to the average for the period 1975-1979; from 1981 onward, they correspond to the average for the period 1982-1985. From information on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America*, 1981.

^cFor proper use to be made of this information, it should be noted that since early 1974 average tariff levels have declined markedly as part of the strategy to open up the country's economy to the exterior. The average tariff, which by the end of 1973 had risen to 94%, dropped to 76% the following year, to 35% in 1976 and to only 10% in 1980. However due to the severe impact of the international recession on the Chilean economy, this process was later reversed, and the average tariff rose to 20% in early 1983 and to 35% in September 1985. Subsequently, the tariff level was gradually lowered until a rate of 20% was reached in 1987.

Table 21

CHILE: VALUE AND BREAKDOWN OF IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	3 739	3 268	3 436	4 396	100.0	100.0	17.9	-12.6	5.1	27.9
Consumer goods	1 044	752	754	901	33.7	20.5	2.0	-28.0	0.3	19.5
Non-food	552	505	585	691	20.7	15.7	12.0	-8.5	15.8	18.1
Food	492	247	169	210	13.0	4.8	-7.3	-49.8	-31.6	24.3
Intermediate goods	2 097	1 866	1 947	2 394	45.6	54.5	19.5	-11.0	4.3	23.0
Fuels and lubricants	594	564	425	474	15.7	10.8	0.3	-5.1	-24.6	11.5
Raw materials	608	574	628	781	10.3	17.8	20.6	-5.6	9.4	24.4
Spare parts and intermediate products	895	728	895	1 139	19.6	25.9	35.8	-18.7	22.9	27.3
Capital goods	597	650	735	1 101	20.7	25.0	52.2	8.9	13.1	49.8

Source: Central Bank of Chile.

^aPreliminary figures.

Table 22

CHILE: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-2 020	-4 805	-2 373	-1 160	-2 118	-1 342	-1 135	-871
Trade balance	-1 056	-3 245	-379	578	-102	547	750	816
Exports of goods and services	5 968	5 008	4 641	4 628	4 493	4 468	5 030	6 306
Goods FOB	4 705	3 836	3 706	3 831	3 650	3 804	4 199	5 224
Real services ^b	1 262	1 172	936	796	843	664	831	1 082
Transport and insurance	433	373	318	292	307	301	359	433
Travel	174	200	125	98	129	116	145	187
Imports of goods and services	7 023	8 253	5 020	4 049	4 595	3 921	4 280	5 490
Goods FOB	5 469	6 513	3 643	2 845	3 357	2 954	3 099	3 994
Real services ^b	1 554	1 740	1 377	1 204	1 238	967	1 181	1 496
Transport and insurance	872	941	624	537	615	513	591	679
Travel	200	221	195	243	327	269	319	351
Factor services	-1 028	-1 595	-2 035	-1 793	-2 057	-1 936	-1 925	-1 742
Profits	-82	-121	-128	-136	-176	-155	-168	-213
Interest received	305	601	506	189	316	197	221	178
Interest paid	-1 152	-1 943	-2 299	-1 801	-2 158	-1 943	-1 940	-1 664
Other	-99	-132	-114	-45	-39	-35	-38	-43
Unrequited private transfer payments	64	37	41	55	41	47	40	55
Balance on capital account	3 341	4 941	1 032	644	2 209	1 240	883	917
Unrequited official transfer payments	49	72	68	43	58	14	44	61
Long-term capital	2 243	3 579	1 680	31	3 553	1 014	836	...
Direct investment (net)	171	362	384	131	67	62	57	...
Portfolio investment (net)	-	-	-	-	-	50	262	...
Other long-term capital	2 072	3 217	1 296	-100	3 486	902	...	...
Official sector ^c	-193	-496	134	1 257	1 504	1 210	...	...
Loans received	280	154	296	1 432	1 640	1 431	...	...
Amortization payments	-472	-641	-162	-139	-136	-221	...	...
Commercial banks ^c	1 438	2 496	327	-800	1 557	-69	-126	...
Loans received	1 617	2 730	701	135	2 138	1 072	1 297	...
Amortization payments	-147	-216	-309	-952	-589	-1 198	-1 439	...
Other sectors ^c	826	1 217	836	-558	425	-239	...	...
Loans received	1 645	2 205	1 613	367	1 206	794	...	...
Amortization payments	-819	-961	-788	-925	-781	-1 033	...	...
Short-term capital	1 000	1 190	-647	489	-1 501	215	52	...
Official sector	100	126	15	320	32	-159	-350	...
Commercial banks	469	252	68	316	-1 405	36	130	...
Other sectors	431	811	-731	-148	-128	338	272	...
Net errors and omissions	51	100	-70	80	99	-3	-49	-60
Global balance ^d	1 321	136	-1 340	-516	91	-102	-252	46
Total variation in reserves								
(- sign indicates an increase)	-1 402	-93	1 112	652	-263	196	113	-46
Monetary gold	-90	-	-2	46	27	22	-149	...
Special Drawing Rights	25	-15	-1	14	-6	11	-1	...
IMF reserve position	-33	7	-3	78	-	-	-	...
Foreign exchange assets	-1 248	-10	1 160	-87	-458	-145	21	...
Other assets	-	-	-	-	-	-	-	...
Use made of IMF credit	-56	-74	-42	600	175	307	242	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Includes other non-factor services. ^c Includes net loans granted and other assets and liabilities. ^d Is equal to the total variation in reserves (of opposite sign) plus counterpart items.

Table 23

CHILE: INDICATOR OF EXTERNAL INDEBTEDNESS^a

	1982	1983	1984	1985	1986	1987 ^b
Millions of dollars						
Balances						
I. Total external debt (II + III + IV) ^c	17 159	18 037	19 659	20 403	20 716	20 551
II. Medium- and long-term external debt	13 815	14 832	16 963	17 650	17 814	17 191
Government-guaranteed public and private debt	5 157	8 090	10 601	12 515	14 379	14 725
Private debt	8 658	6 742	6 362	5 135	3 435	2 466
Supplier credits	413	318	246	162	129	...
Line of credit for importation of capital goods	457	404	173	155	40	...
Financial credits ^d	7 788	6 020	5 943	4 818	3 266	...
III. Short-term external debt ^e	3 338	2 599 ^f	1 914	1 668	1 574	1 908
Public sector	1 503	1 705	1 742	1 564	1 384	1 655
Private sector	1 835	894	172	104	190	253
IV. Debt with IMF	6	606	782	1 085	1 328	1 452
V. Net international reserves ^g	2 578	2 023	2 056	1 867	1 778	1 895
VI. Net total external debt (II + III - V)	14 575	15 408	16 821	17 451	17 610	17 204
Total servicing	3 041	3 247	3 015 ^h	2 398	2 233	1 906
Principal	1 248	1 635	1 173	652	514	420
Interest ⁱ	1 793	1 612	1 842	1 746	1 719	1 486
Total disbursements	2 943	1 948	1 592	1 476	1 212	...
Percentages						
Ratios						
Total external debt/exports of goods and services	369.6	389.7	437.5	456.6	411.8	325.9
Net total external debt/ exports of goods and services	314.0	332.9	374.4	390.6	350.0	272.8
Servicing/exports of goods and services	65.5	70.2	67.1	53.7	44.4	30.2
Net interest/exports of goods and services	38.6	34.8	41.0	39.1	34.2	23.6
Servicing/disbursements	103.3	166.7	189.4	162.5	184.2	...

Source: Central Bank of Chile, *Deuda externa de Chile*, 1986. *Boletín mensual*, November 1987 and *Boletín mensual*, January 1988.

^aAmounts disbursed and pending payment as of 31 December of each year. Includes reductions stemming from debt conversion transactions (articles 18, 19 and others). ^bPreliminary figures. ^cExcluding short-term credits for external trade operations of the non-financial private sector. ^dCredits entering under articles 14, 15 and 16 of the International Exchange Law and credits under Decree-Law 600. ^eCorresponds to the international assets of the Central Bank, less liabilities with the International Monetary Fund (IMF). Gold is valued at market prices, and reciprocal credit agreements are registered at their "net" value. ^fFrom 1984 onward servicing has decreased due to the renegotiation of the external debt. ^gInterest paid less interest received, according to the figures shown in the balance-of-payments current account.

Table 24

CHILE: DOMESTIC PRICE TRENDS

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Variation from December to December										
Consumer price index	30.3	38.9	31.2	9.5	20.7	23.1	23.0	26.4	17.4	21.5
Food	25.5	41.9	30.8	0.1	16.3	26.8	19.8	27.5	23.7	23.4
Wholesale price index	38.9	58.3	28.1	-3.9	39.6	25.2	36.5	30.3	18.2	17.1
Imported products	22.2	67.5	12.5	0.5	49.5	33.1	51.3	26.4	4.5	14.9
Domestic products	43.2	56.3	31.9	-4.8	37.5	23.3	32.7	31.4	22.0	17.6
Agricultural products	48.9	52.2	27.7	-14.5	41.7	27.1	19.3	34.8	37.4	9.2
Mining products	40.6	85.6	37.8	12.1	33.9	23.5	48.2	19.6	-3.1	32.1
Manufactures	39.6	55.3	33.9	-0.9	35.6	20.9	38.6	31.8	17.8	21.0
Index of building costs	43.7	44.8	31.8	14.5	5.2	10.3	18.9	23.1	17.0	24.9
Variation between annual averages										
Consumer prices index	40.1	33.4	35.1	19.7	9.9	27.3	19.9	30.7	19.5	19.9
Food	34.6	31.1	36.1	14.2	3.6	25.8	21.1	28.3	23.9	24.1
Wholesale price index	42.9	49.4	39.6	9.1	7.2	45.5	24.3	43.4	19.8	19.2
Imported products	34.9	41.7	37.7	4.4	10.9	62.6	28.4	54.8	7.2	10.6
Domestic products	45.0	51.3	40.0	10.1	6.4	41.8	23.3	40.4	23.4	21.4
Agricultural products	34.7	51.8	41.4	2.7	0.7	51.3	21.0	33.1	36.1	23.6
Mining products	51.1	70.1	54.0	22.3	7.3	40.0	27.4	48.9	1.8	14.8
Manufactures	52.7	48.3	41.3	13.3	9.9	36.5	24.1	43.5	20.2	21.0
Index of building costs	54.9	42.7	40.7	22.5	5.6	9.7	12.9	25.8	18.6	20.7

Source: National Statistical Institute (INE) and Chilean Chamber of Construction.

Table 25

CHILE: REAL WAGES AND SALARIES

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)^b										
Minimum wage ^c	100.7	99.8	100.0	115.7	117.2	94.2	80.7	76.4	73.6	69.1
Average wages	84.7	91.8	100.0	108.9	108.6	97.1	97.2	93.5	95.1	94.7
Mining	88.7	97.5	100.0	103.3	94.7	89.7	92.0	90.8	92.8	86.9
Manufacturing	83.3	89.9	100.0	109.6	105.4	94.6	93.8	88.7	91.4	96.1
Electricity, gas and water	79.1	88.8	100.0	114.6	111.5	101.2	101.0	101.0	105.5	106.8
Community and social services	86.6	93.1	100.0	108.8	116.7	100.2	100.1	95.2	91.7	88.7
Construction ^d	84.8	91.9	100.0	105.6	100.2	78.3	75.8	63.8	67.0	70.3
Percentage variation										
Minimum wage ^c	26.4	-0.8	0.2	15.6	1.3	-19.6	-14.4	-5.3	-3.6	-6.1
Average wages	6.4	8.3	9.0	8.9	-0.2	-10.7	0.1	-3.8	1.7	-0.3
Mining	-2.5	9.9	2.6	3.3	-8.3	-5.2	2.6	-1.3	2.1	-6.3
Manufacturing	10.5	7.9	11.2	9.6	-3.9	-10.3	-1.1	-5.1	3.0	5.2
Electricity, gas and water	11.9	12.3	12.6	14.6	-2.7	-9.2	-0.2	-	4.5	1.2
Community and social services	3.2	7.5	7.4	9.0	7.3	-14.1	0.9	-5.8	-3.7	-3.2
Construction	4.3	8.4	8.8	5.9	-5.1	-21.9	-3.2	-15.9	5.1	4.8

Source: ECLAC, on the basis of data from the National Statistical Institute and the Chilean Chamber of Construction.

^aPreliminary figures.

^bDeflated on the basis of the consumer price index given in table 24. From 1975 to 1978: average for January, April, July and October. Subsequently, average for 12 months.

^cApplicable to private-sector manual and non-manual workers not subject to special arrangements.

^d1975-1983: wages in mid-level building activities; 1984 onward: average wages.

Table 26

CHILE: MONETARY INDICATORS

	December averages for each year (billions of pesos)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Money issue (I)	82.5	110.5	151.8	187.9	17.6	33.9	37.4	23.8
Total money supply	148.6	199.7	302.4	337.2	7.1	34.4	51.4	11.5
Private sector (M ₁)	102.4	131.4	189.3	203.6	7.6	28.3	44.1	7.6
Public sector (PS)	46.2	68.3	113.1	133.6	6.1	47.8	65.6	18.1
Term deposits (TD)^b	347.8	496.1	586.5	880.3	32.6	42.6	18.2	50.1
From 30 to 89 days	159.9	218.6	252.0	328.4	24.7	36.7	15.3	30.3
From 90 to 365 days	132.4	209.7	243.2	370.8	65.1	58.4	16.0	52.5
Readjustable	121.1	201.7	237.2	367.1	64.6	66.6	17.6	54.8
Non-readjustable	11.3	8.0	6.0	3.7	70.1	-29.2	-25.0	-38.3
Over one year	55.5	67.8	91.3	181.1	3.1	22.2	34.7	98.4
Private money + term deposits (M₂ = M₁ + TD)	450.2	627.5	775.8	1 083.9	26.0	39.4	23.6	39.7
Bank quasi-money (D₂)^c	462.3	665.5	806.1	1 159.4	36.1	44.0	21.1	43.8
Term deposits	347.8	496.1	586.5	880.3	32.6	42.6	18.2	50.1
Savings deposits	101.2	142.4	219.6	279.1	26.3	40.7	54.2	27.1
Loans by the banking system								
National currency	924.4	1 315.1	1 506.9	1 893.7	45.3	42.3	14.6	25.7
Foreign currency ^d	3 825.0	2 703.2	2 578.8	2 631.9	-21.0	-29.3	-4.6	2.1

Source: Central Bank of Chile, *Síntesis monetaria*.^aPreliminary figures.^bIncludes bonds of the Department of Savings and Investment (DAI).

deposits for less than 30 days.

^dMillions of dollars.^cIncludes other

Table 27

CHILE: BANK INTEREST RATES

	1980	1981	1982	1983	1984	1985	1986	1987	1987 ^a			
									I	II	III	IV
Nominal												
Short-term deposits	37.4	40.8	47.8	27.9	26.1	31.6	18.9	25.1	23.3	23.5	19.2	26.4
Short-term loans	46.9	51.9	63.1	42.7	37.2	40.4	26.2	32.7	28.9	30.1	25.2	33.1
Real												
Non-readjustable operations												
Short-term deposits ^b	4.7	28.6	22.4	3.9	2.3	4.1	1.3	3.0	1.6	4.6	-1.1	7.4
Short-term loans ^b	12.0	38.7	35.1	15.9	11.4	11.4	7.5	9.2	7.0	11.0	4.7	13.8
Readjustable operations												
Deposits	8.4	13.1	12.0	7.7	8.4	8.2	4.1	4.3	3.7	4.3	4.6	5.0
Loans	15.4	14.5	16.9	9.8	9.0	9.4	7.7	7.3	7.3	7.5	7.9	8.4

Source: Central Bank of Chile.

^a Annual rates projected on the basis of quarterly rates.^b Calculated on the basis of nominal rates published by the Central Bank and the consumer price index of the National Statistical Institute (INE).

Table 28

CHILE: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
A. Income and expenditure in national currency (billions of pesos of each year)								
1. Current income	239	320	301	348	442	642	837	1 084
Direct taxes	66	81	80	70	86	108	131	152
Indirect taxes	154	204	191	260	340	500	641	834
Non-tax revenue	20	35	30	18	16	34	65	98
2. Net expenditure ^b	213	289	321	393	475	672	822	977
3. Net deficit (1-2) = (5-4)	-26	-31	20	45	33	30	-15	-107
4. Amortization payments	3	2	3	7	26	110	84	101
5. Gross deficit	-23	-29	23	52	59	140	69	-6
B. Income and expenditure in foreign currency (millions of current dollars)								
1. Current income	1 007	523	439	548	413	368	409	622
Copper	976	449	402	518	361	349	389	513
Other	31	74	37	30	52	19	20	109
2. Net expenditure ^b	518	508	376	467	546	465	484	604
3. Net deficit (1-2) = (5-4)	-489	-15	-63	-81	133	97	75	-18
4. Amortization payments	239	175	188	181	122	143	115	79
5. Gross deficit	-250	160	125	100	255	240	190	61
C. Consolidated income and expenditure^c (millions of current dollars)								
1. Current income	7 145	8 727	6 345	4 968	4 904	4 359	4 748	5 563
Copper	976	449	402	518	361	349	389	513
Direct taxes	1 697	2 091	1 578	894	885	676	683	698
Indirect taxes	3 959	5 239	3 755	3 309	3 454	3 113	3 328	3 808
Non-tax revenue	513	948	610	246	204	221	348	544
2. Net expenditure ^b	5 992	7 925	6 665	5 453	5 369	4 641	4 746	5 057
3. Net deficit (1-2) = (5-4)	-1 153	-802	320	485	465	282	-2	-506
4. Amortization payments	324	234	251	275	389	830	549	539
5. Gross deficit	-829	-568	571	760	854	1 112	547	33
D. Coefficients^c (percentages)								
Current income/gross domestic product	25.9	26.6	26.1	25.1	25.5	27.2	28.2	29.7
Net expenditure/gross domestic product	21.7	24.3	27.4	27.6	27.9	29.0	28.2	27.0
Net deficit/gross domestic product	-4.2	-2.5	1.3	2.5	2.4	1.8	-	-2.7
Gross deficit/gross domestic product	-3.0	-1.7	2.3	3.8	4.4	6.9	3.3	0.2

Source: 1980-1986: ECLAC, on the basis of figures from the Ministry of Finance, Bureau of the Budget, Public Finance Statement, 1987, January 1988; 1987: ECLAC, on the basis of official figures.

^aProvisional figures. ^bTotal expenditure, excluding debt amortization payments. ^cFigures in Chilean pesos were converted to current dollars using the average exchange rate of the Central Bank of Chile.

ECUADOR

1. Recent economic trends: Introduction and summary

In 1987 the Ecuadorian economy was again hurt by problems in connection with its petroleum production activities. The earthquake that struck the country in March took its toll in both victims and property damage, particularly to the trans-Ecuadorian oil pipeline, and paralysed hydrocarbon extraction for several months; it was therefore impossible to take advantage of the partial recovery in international oil prices which had dropped significantly the year before. As a result, the gross domestic product registered a considerable decline, and Ecuador's external and public-sector imbalances increased. In fact, the gross domestic product went down by 7% in 1987, and this in conjunction with the growth of the country's population, led to a decrease of almost 10% in the per capita product (see table 1 and figure 1). The 40% drop in petroleum production was a decisive factor in this respect, since all the other sectors of the economy grew except for manufacturing, which held steady. Indeed, agricultural production—which was boosted by the expansion of fishery activities, forestry and stock-raising, in particular—increased by 7%, construction showed a slight rise (which was not, however, sufficient to offset its previous slump) and basic services grew by 6%.

The drop in the product resulted in a 3% reduction in total supply in spite of the significant expansion in imports, which increased by 17% in constant terms. As for demand, the almost 7% expansion in gross fixed investment was the only positive factor in this respect, since total consumption contracted by almost 3% and exports declined by around 8%.

The problems experienced in relation to petroleum extraction activities had a strong impact on the external sector. Indeed, the value of the country's exports of goods and services declined by 6% due to the 17% contraction in hydrocarbon sales. Thus, the cumulative decrease in earnings from exports of crude oil and petroleum products for the biennium amounted to 60%. The trend in shrimp sales was just the reverse; the great growth in these sales seen during the last two years has made Ecuador the main world exporter of this product, which represented 20% of its total merchandise exports in 1987.

Since imports grew by 19% in value and net interest payments also increased, the deficit on current account almost doubled, surpassing US\$1.2 billion. A significant capital inflow, mainly from multilateral agencies and other governments, financed almost all of this deficit. Even so, reserves were drawn down for the fourth consecutive year, this time by around US\$80 million. Consequently, by the end of the year international reserves were not sufficient to finance the equivalent of even one month of imports. In addition, the government suspended some payments on the foreign debt during the year.

These difficulties put pressure on the exchange rate. The price of the dollar on the open market, which is the rate used for private transactions, went up by almost 70%, and the official exchange rate, which is used for public-sector operations, increased by almost 50% in the same period.

Fiscal accounts were also affected by the earthquake, both in regard to revenues, because of the reduction in oil income, and in regard to expenditure, due to the increased spending required for reconstruction. Thus, the fiscal deficit climbed by half a point to nearly 3% of the product. In this context, the money supply grew by 32% and quasi-money, which was stimulated by positive real interest rates, increased even more rapidly.

Exchange rate corrections, the larger fiscal deficit and the uncertainties sparked by the earthquake and by the paralysation of petroleum exploitation contributed to an acceleration of inflation. The consumer price index rose by 33% in 1987, after having increased by 27% in 1986.

Wages, for their part, increased more slowly than domestic prices, and real wages therefore declined once again. The minimum wage in 1987 fell by 7% to a level 20% below that of the

Figure 1
ECUADOR: MAIN ECONOMIC INDICATORS

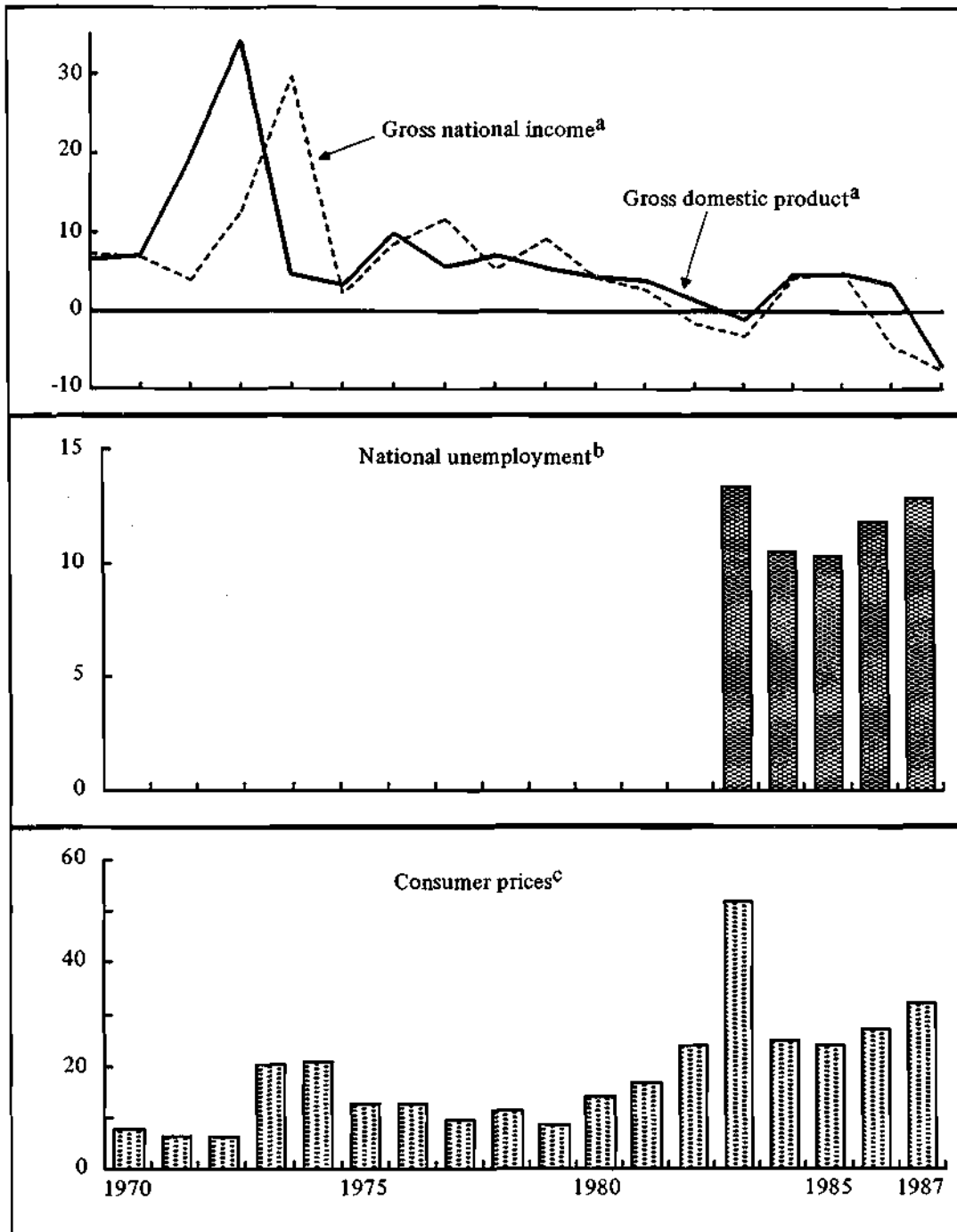
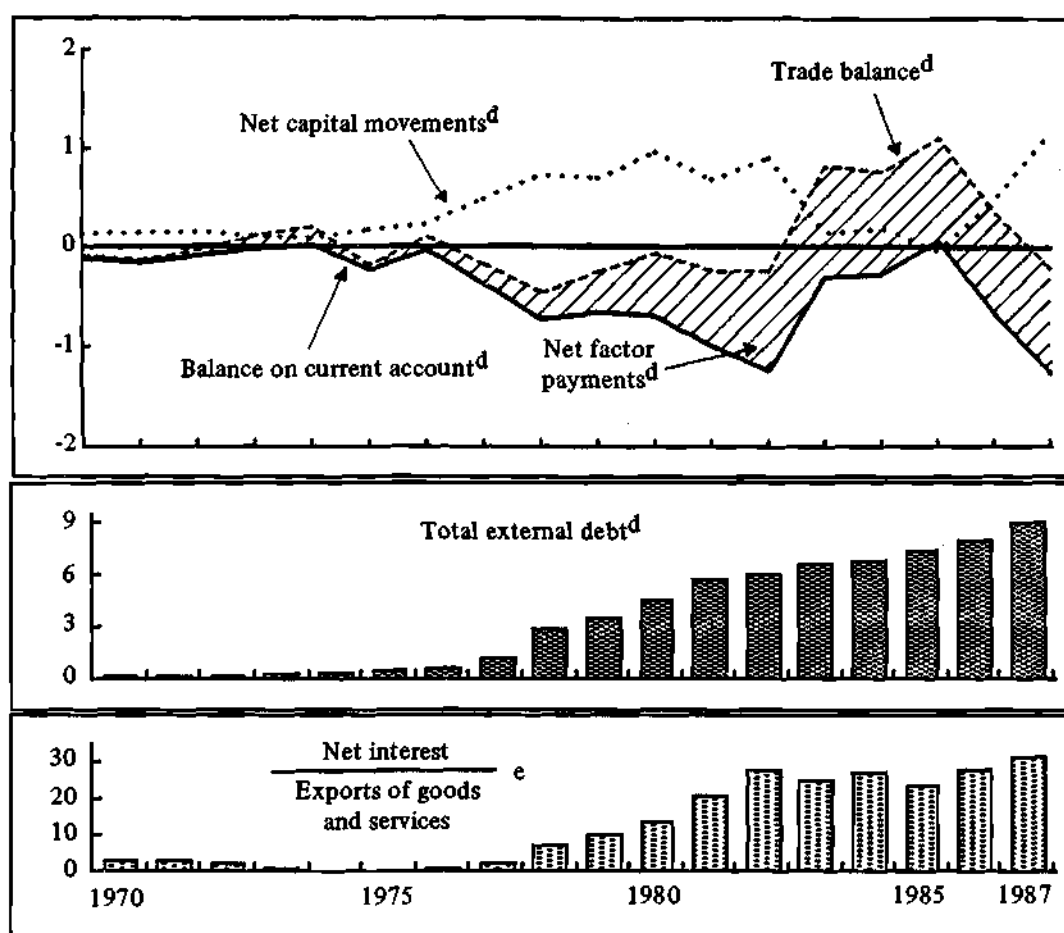


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate. ^bAverage annual rate nationwide. Official estimates. ^cPercentage variation from December to December. ^dBillions of dollars. ^ePercentages.

beginning of the decade. Since, in addition, the unemployment rate continued to increase, reaching 13%, the wage bill decreased significantly during the year.

In summary, the earthquake's impact on Ecuador's main item of production severely affected the government policy formulated at the beginning of the year, which had been based on the premise that the recovery in the price of petroleum would produce a large portion of the revenue that would have to be generated by the country's economic activity, in general, and by the external and public sectors, in particular. Consequently, the Ecuadorian economy was negatively affected for the second consecutive year, and for this reason, no progress was made in the effort to reduce the country's fiscal and external imbalances, while its international reserves were almost entirely depleted.

2. Trends in economic activity

a) Total supply and demand

The total supply of goods and services diminished by somewhat more than 3% (see table 2). This was due exclusively to the sharp drop (-7%) registered by the gross domestic product, since the volume of imports grew by 17% to the highest level recorded in the last five years. In their turn, the

two components of total demand contracted. An important factor in the reduction in domestic demand (-2%) was the decrease in total consumption, which, with a 3% drop, fell back to its 1985 level. On the other hand, gross investment in fixed capital climbed by 7%, for a cumulative increase of 17% over the last three years. Even so, its 1987 level was more than 20% lower than that of 1980, and the investment coefficient (16.5%) remained far below what it had been at the beginning of the decade. Stocks of machinery and equipment continued to increase rapidly (almost 14%), but even this growth rate was not enough to offset the enormous cumulative loss of nearly 60% registered between 1981 and 1984.

Lastly, for the first time since 1982, the volume of exports of goods and services decreased by almost 8%, which, in absolute terms, brought it down to the 1985 level. This was due, basically, to the paralysation of petroleum production for part of the year.

b) *The main sectors*

The reduction in economic activity was the result of the steep drop in petroleum production, since manufacturing continued in the state of stagnation that has characterized it in recent years while agricultural activity, construction and services grew (see table 3).

i) *Agriculture.* Agricultural production continued to expand for the fourth year in a row. The 1987 increase, which was more than 7%, thus raised the sectoral product to a level 35% above that of 1980 (see table 4).

The pace of activity in the different subsectors varied considerably. Crop-farming production, which in the preceding years had been the main growth factor, reversed its trend, diminishing by about 1%. This was due to the decreases observed in many of the country's crops, the largest of which were registered in products for export and in some for the domestic market. In fact, coffee production dropped by 23%, after several years of continued expansion which had culminated in the quadrupling of the volume of the harvest between 1985 and 1986. This decrease reflected reductions in both the area harvested and yields. The main problems faced by producers were related to the low level of agricultural technology used and poor-quality seed. Moreover, the coffee-bean borer, which attacks the coffee cherry as it ripens, continued to spread, although plant rust, which attacks the bush, was brought under relative control. Floods and frosts were also negative factors. The 36% drop in the harvest of cocoa —another export product— was even larger than the decline of the year before, and the volume of the 1987 harvest was consequently less than half that obtained two years earlier. The reduction in yields (33%) which was the main cause of the decrease, was the result of the unsophisticated farming techniques used by small-scale producers, who are in the majority.

In contrast, banana production continued to increase, and the 3% expansion in output topped off a rise of more than 40% over the last three years. Nevertheless, a number of plant diseases, such as sigatoka, continued to affect production, and there were also some technological shortcomings in transport and packing methods.

The overall trend in the production of items for the domestic market was unfavourable in respect of both products for domestic consumption and those for industrial use. Among the former, the only items for which production increases were recorded were rice and soft maize. The rice harvest showed a positive trend inasmuch as the 45% increase of the year before was followed by another of 35%, and the volume of output in 1987 was therefore almost double that of 1984. The land area devoted to this crop expanded less than it had in other periods because of losses resulting from excessive rainfall. The growth rate of the soft maize harvest (3%) for its part, was much lower than the high rates of between 20% and 30% registered in the period 1984-1986, and the amount of land used for this crop exhibited a similar trend.

Among the crops destined for industrial use, the only ones in which production increased were soya and African palm. The soya harvest was more than double that of the previous year. African palm production increased by 5%, and the 1987 harvest was 85% greater than that of 1984. The output of the remaining crops fell. Sugar cane production decreased by 20%, returning to its 1984 level. The 45% drop in cotton output wiped out the expansion registered in 1986, but even so it was still one and one-half times the level of the preceding three years. The other products in this category showed minor decreases, with the exception of potatoes, which dropped by 9%.

Livestock production rose by more than 3%, thereby continuing its favourable performance of recent years. All the components of this subsector continued to exhibit an upward trend.

Forestry and fishing showed a great deal of dynamism. Forestry production increased by 15% in 1987, thereby doubling its growth rate for the second consecutive year. Fishery activity once again expanded at the high growth rate of 22% per annum.

The fishing catch continued to increase. In addition to the fact that the government continued to offer credit and tax support to this sector, there was also a greater supply of bait, good weather conditions prevailed, and this resource was exploited more rationally. As a result, the 1987 product was more than double that of the beginning of the decade (see table 5).

The shrimp catch was the main factor of growth, since it climbed by 25%; in contrast, the tuna catch decreased once again, accumulating a total drop over the three-year period of close to 25%.

ii) *The petroleum industry.* For the second year running, petroleum activity was affected by severe constraints which had serious repercussions on the functioning of the economy. After suffering the consequences of a more than 50% drop in international oil prices in 1986, in 1987, just when prices had started to recover, the earthquake completely paralysed production and exports for five months. This situation generated a whole series of serious problems.

The earthquake that devastated the north-western part of the country in early March caused a 33-kilometre break in the trans-Ecuadorian oil pipeline which joined the Lago Agrio oil fields with the Balao refinery in Esmeraldas, on the Pacific coast. A stretch of a similar length in the gas pipeline linking this area with Quito was also destroyed. As a consequence of the damage to the oil pipeline, hydrocarbon production was suspended entirely until May, when the Ecuadorian oil fields were connected with the Colombian trans-Andean oil pipeline which ends in the port of Tumaco. For this purpose 32 kilometres of oil pipeline were built in Ecuadorian territory and another 11 kilometres of pipeline were constructed on the Colombian side. From Tumaco, Ecuadorian crude oil was transported by ship to the Ecuadorian refineries located on the Santa Elena peninsula.

Thanks to this connection, in the following months between 30 000 and 50 000 barrels of petroleum per day from the Lago Agrio zone were transported through Colombian territory to partly satisfy the domestic demand for petroleum products. Nevertheless, national petroleum production was insufficient to cover both domestic needs for petroleum products and foreign sales contracts, and the country therefore had to request loans of petroleum from the Governments of Venezuela and Nigeria. As a result of all this, the total supply of crude oil fell by more than 30% in 1987 (see table 6). The drop in national production was more than 40%, but was partly offset by imports—for the first time in the decade—of about 11 000 tons of crude oil. As for demand, refinery consumption contracted by 16% to a level lower than that of 1983. In its turn, volume of crude oil exports decreased by 36%, which brought the sales volume down to the level recorded in the late 1970s and early 1980s. All the components of the demand for petroleum products were also down: domestic consumption decreased by 5% and exports by 15%.

In 1987 the international price for Ecuadorian crude oil improved appreciably. Crude oil was quoted at an average of US\$16.40 per barrel, which was an increase of almost 30% over the preceding year. Nevertheless, this did not make up for the enormous drop of around 50% registered in 1986 (see figure 2).

As a consequence of the earthquake, the government raised fuel prices, which had not been modified for more than two years, by an average of 63% on the domestic market in an effort to offset the loss of State income and to reduce fuel consumption. Even so, the domestic price of high-octane gasoline was still low (about US\$0.19 per litre). During the year the foreign companies which were awarded contracts in the third and fourth rounds of competitive bidding continued to carry out prospecting with relative success. At year's end OPEC authorized the government to increase its production quota from 210 000 to 300 000 barrels per day so that Ecuador could return the petroleum it had borrowed in order to deal with the emergency.

iii) *Manufacturing.* In 1987 the manufacturing sector performed poorly for the fifth year in a row; as a result, the product generated during this period reflected an overall decrease of more than 7%. If petroleum refining is not taken into account, however, then industry showed a slight expansion during the year (see table 7). The contribution of this sector to the total product thus continued to represent the low figure of 9%.

Food production grew by somewhat more than 1% and thereby finally surpassed the low level recorded as far back as 1983. The branch of this industry that produces cereals and bread showed the least favourable trend, inasmuch as, with the drop of 3% registered in 1987, its cumulative decrease

over the period 1982-1987 amounted to around 20%. On the other hand, the production of meat and fish increased by 5%, for a total rise of more than 20% over the two-year period 1986-1987, thus amply recovering from the declines of 1983-1985.

The fastest-growing sectors were those linked to the wood and paper industry. The former expanded by 7%, thereby continuing the steady growth trend which it has exhibited without interruption (with the sole exception of 1984) ever since the mid-1970s. The paper industry grew by 4%, in keeping with the trend characterizing this subsector since the late 1970s.

Moving in the opposite direction, the textile industry continued to contract for the fourth consecutive year (-2%), for a total decrease of about 9%. Declines of a similar magnitude were seen in chemicals (-2%) and non-metallic minerals (-3%). In both cases, these drops followed earlier decreases.

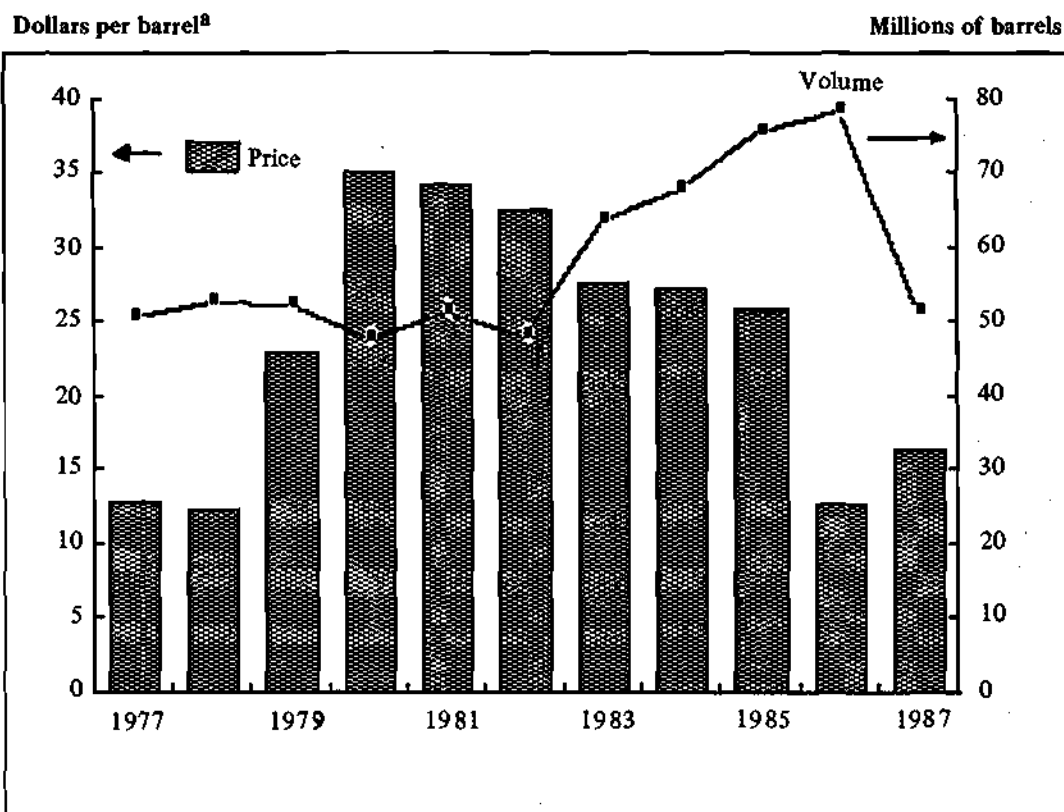
iv) *Construction*. The product of this sector grew by a little more than 1%, basically as a result of the reconstruction work begun after the earthquake. Hence, the value added by this activity in 1987 equalled that registered four years previously.

v) *Mining*. The trend in extractive activities was a moderate one. The most novel development in connection with this sector was the authorization granted to the Central Bank to export, for the first time, slightly more than 2.5 tons of gold. Production was up by about 22%, following the 14% increase registered the year before.

vi) *Services*. Services as a whole expanded by about 6%. Since basic services have maintained a steady upward trend since the beginning of the decade, the 1987 product was 40% higher than that of 1980.

Figure 2

ECUADOR: EXPORTS OF PETROLEUM AND PETROLEUM PRODUCTS



Source: Central Bank of Ecuador.

^aCrude oil export prices, FOB.

3. The external sector

a) *Merchandise trade*

Merchandise export earnings dropped by around 8%. This, when added to the decline of 1986, meant that a total decrease of 32% was recorded for this two-year period (see table 8). This was due exclusively to a 10% drop in volume, which contrasted with the steady expansion observed during the four previous years. The 2% increase in unit value, for its part, was insufficient to offset the enormous decline (more than 50%) accumulated during the 1981-1986 period, most of which (29%) occurred in 1986. The value of imports of goods grew by 26%, but even so, it was lower than in 1982. This increase was primarily due to a 21% expansion in volume. The upturn in oil prices benefited the country very little, given that a substantial portion of the petroleum it exported had been loaned to it by other countries; the terms of trade therefore decreased slightly (-1%), reaching their lowest level since 1980.

i) *Merchandise exports.* The 8% decline registered in the value of exports was chiefly due to the drop in sales of primary products, particularly petroleum, which represent 85% of the country's total external trade in goods. As exports had also fallen in 1986, the total cumulative drop over the two-year period amounted to 30%.

Income from crude oil exports was down by almost 20%, following an even greater drop (-50%) in 1986. As a result, national revenue from this source, as a percentage of the total, fell from 63% in 1985 to only 36% in 1987 (see table 9). The decrease of over 35% in the volume of crude oil exports was not offset by the increase of close to 30% in their unit value (see table 10 and figure 2).¹

The trends in the remaining primary exports varied widely. Revenue from foreign coffee sales shrank by more than 35% as a result of a drop in unit value, whereas shrimp, banana and cocoa exports showed positive trends. The upturn in shrimp sales was especially marked: these exports, which represented only 2% of total income in 1980, amounted to almost 20% in 1987 and made the country the main world exporter of this product. The 33% increase registered in the value of shrimp exports, which followed upon a much greater increase in 1986, was due to an expansion of more than 55% in volume.

In contrast, exports of manufactures declined for the third consecutive year, and the total decrease over the 1985-1987 period was thus 16%.

ii) *Merchandise imports.* In 1987 the value of imports of goods grew by about 23% (see table 11). Imports of consumer goods also increased by 23%, but their share in the total was half that of 1980, while purchases of raw materials and intermediate goods climbed by a factor of one-third. Among the latter, the most significant increase was in fuels and lubricants as a result of the shortage of these items in the country. Imports of raw materials for industry (9%) and construction materials (18%) also rose.

Finally, there was a slowdown in the expansion rate (9%) of capital imports (33% of the total), but even so they grew by more than 85% between 1984 and 1987. The most striking trend within this category was that of equipment for industry, which for the third year in a row registered such a significant increase that imports of industrial equipment almost doubled over the 1984-1987 period.

In order to reduce pressure on the sucre in the private foreign exchange market, a prior deposit of 50%, without interest, was made mandatory for a 90-day period beginning in October for imports of raw materials as well as of essential products not produced in the country and goods that competed with national products, while a prior deposit of 80% was required on imports of luxury goods. At the end of the year these requirements were eliminated in the case of imports of agricultural raw materials and capital goods.

b) *The trade balance in services*

Real services registered a negative balance of US\$185 million, which was somewhat less than the previous year's deficit (see table 12). Factor services remained above US\$1 billion, which was equivalent to more than half of the country's exports of goods.

¹Some of the petroleum exported by Ecuador was loaned to it by Venezuela and Nigeria (about 9 million barrels).

c) *The external debt*

The total external debt balance was more than US\$9.1 billion, which was an increase of slightly more than 12% over that of the preceding year. Around 60% of this amount was made up of liabilities with commercial banks. The external debt amounted to almost four times the value of total goods and services exports, making the respective coefficient the highest since the beginning of the decade (see table 13).

The balance-of-payments problems resulting from the paralysation of petroleum exports led to the suspension of service payments on the external debts owed to private creditors (about US\$450 million) and to the Paris Club (another US\$100 million). The only debts that were serviced during 1987 were those contracted with multilateral agencies such as the World Bank and the Inter-American Development Bank (IDB). Towards the end of the year some overdue interest payments were also made.

This meant that the service actually paid on the debt remained at much the same level as the year before —about 43% of total exports— and actual interest payments corresponded to only 11% of exports. If refinanced and unpaid interest were included, then the debt service would have been equivalent to almost two-thirds of exports.

During the period talks were carried out with private creditors (which had not yet been concluded at the time of this writing) concerning the renegotiation of about US\$5.1 billion owed to international private banks. This quantity was to be divided into three different categories: US\$4.07 billion corresponding to credits contracted before 1982 was to be paid over a 19-year period, with seven years of grace, at the interest rate of LIBOR plus 0.95%; another US\$630 million of debt contracted after that year was to be paid over a period of 10 years, with three years of grace, at LIBOR plus 1%; in addition, a request for some US\$350 million in fresh credit was under consideration which would be paid over a period of eight years, with three years of grace, at LIBOR plus 1%.

Around US\$450 million was received by Ecuador from various international agencies and bilateral sources; this included a US\$200 million loan from IDB for agricultural and fishery activities. The World Bank provided US\$80 million and the Andean Development Corporation supplied US\$11.5 million for repairing the damage done to the oil pipeline. The International Monetary Fund approved a US\$60 million credit to help compensate for the loss of export earnings but held back 60 million in Special Drawing Rights of a previously-granted standby credit of 75 million SDRs because of some instances of non-fulfilment. The external debt capitalization operations carried out during the year amounted to US\$40 million.

d) *Exchange policy and foreign trade*

The exchange system in force in the foreign exchange market since August 1986 was retained in 1987. Under this system there were two differentiated markets:² the so-called "intervention" market, which was used for public-sector operations, and an open market for private transactions.

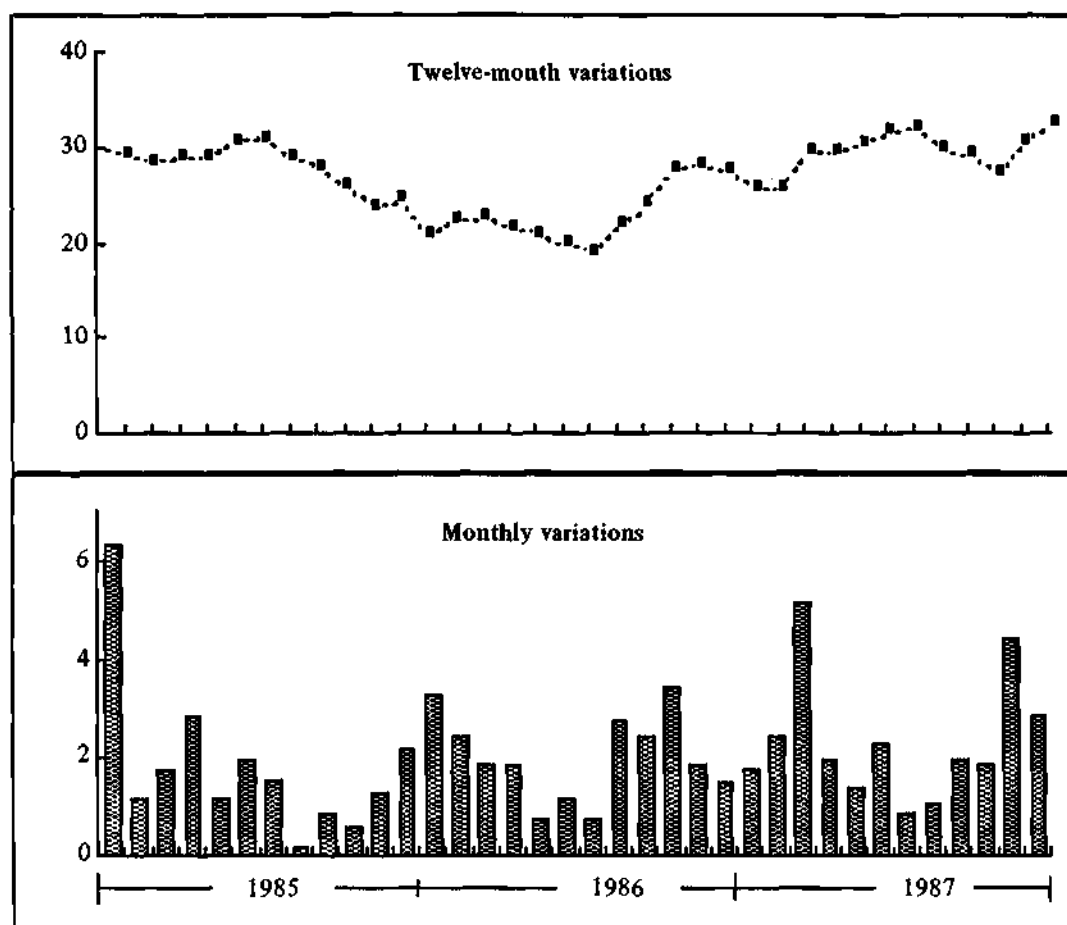
The balance-of-payments difficulties described above, the events connected with the kidnapping of the President of Ecuador and the delay encountered in resolving the conflict over the constitutionality of floating interest rates, had a considerable effect on the nominal exchange rate on the open market, which rose by almost 70% during the year. The price of the dollar on the market used for public-sector operations held steady during the first quarter, but by the end of the year it had risen by 42% due to the exchange rate adjustments introduced as of April in response to the trend in the rate for the dollar on the open market.

Since these increases surpassed the growth rate of domestic prices, the real exchange rate rose by 10% for exports and by 15% for imports (see table 14).

However, some measures were adopted to reduce the pressure on the exchange rate. In order to ensure a larger supply of foreign exchange in the private market, a reduction from 180 to 90 days was made in the term for liquidating foreign exchange earnings from sales of cocoa, coffee and shrimp. In addition, stabilization bonds denominated in foreign currencies were issued; these bonds could be used to pay overdue foreign-currency obligations incurred in connection with imports made before

²There was also an official foreign exchange market whose rate was used only for accounting purposes.

Figure 3
ECUADOR: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

the creation of two separate exchange rates in August 1986. These new negotiable financial securities—which had a 12- to 24-month maturity and accrued interest at the LIBOR rate—were used to begin payment of part (about US\$80 million) of the foreign exchange owed to importers.

Furthermore, the concept of “net position” in respect of foreign assets held by private banks was redefined with a view to reducing the dollar holdings of banks and financial institutions.

4. Prices and wages

a) Prices

As mentioned earlier, during 1987 inflationary pressures increased slightly. The average annual variation in the general consumer price index was 30%, whereas it had been 23% the year before (see table 15). The greatest increases were in food, housing and miscellaneous articles.

The trend in the 12-month rate of variation in the general index reflected a speedup of inflation between the middle of 1986 and the first half of 1987, a drop during the third quarter and another acceleration towards the end of the year (see figure 3).

The speedup in inflation was mainly concentrated in the first four and last four months. During the periods from January to April and from September to December, the average monthly rise in the general index was 3%, with the sharpest increases occurring in March (5.2%) and November (4.6%).

Various factors played a part in these price increases. Exchange rate and monetary variable expanded at a faster rate than in 1986. Frosts and floods at the beginning of the year affected the supply of some food products. Moreover, as already mentioned, petroleum production and exports were interrupted as a consequence of the earthquake. This situation prompted the government to raise domestic fuel prices for the dual purpose of reducing consumption and obtaining more revenue. The average increase in the price of fuel was on the order of 60%. The rates charged for urban and inter-provincial public transport were also adjusted.

Lastly, the approaching presidential elections and the elimination, in September, of price controls on some basic products that had been established after the earthquake contributed to the increase registered in the final months of the year.

b) *Wages*

The minimum living wage in force since August 1986 was revised in July; this adjustment raised the wage by an annual average rate of 22%, and real minimum wages therefore decreased by 6% (see table 16). Consequently, the total cumulative reduction in such wages between 1981 and 1987 was approximately 45%.

The deterioration of real minimum wages was an across-the-board phenomenon. While agricultural workers in the coastal and eastern areas of the country, artisans and domestic employees saw their real incomes drop by around 6%, agricultural workers in the highlands and those employed in small-scale industry received a real wage that was 4% less than in 1986. If the gratuities and bonuses supplementing minimum wages are taken into account, then the average nominal wage for the year was slightly over 20 000 sucres per month, which was equivalent to about US\$90 at the average exchange rate on the open market.

5. Monetary and fiscal policy

a) *Monetary trends*

The main monetary aggregates expanded more rapidly in 1987. The money supply was the component that increased the least: as demand deposits decreased in real terms (a phenomenon to be expected when there is a speedup in inflation), the means of payment grew by 32%, which was almost exactly the same rate as that of domestic prices. The broadest monetary aggregate, M_2 , increased by 40% (see table 17).

Given that the net international reserves of the banking system fell to almost nothing, the source of monetary expansion was the 45% increase in domestic credit (see table 18).

Quasi-money grew by 10% in real terms owing to the incentive represented by the rate of return available on the open market, since real interest rates in the regulated sector were negative (see table 19). The free-rate segment which had been created in August 1986 continued in force throughout 1987 despite claims that this measure was unconstitutional and, by the end of the year, the securities known as "accumulation policies", which were included in this system, represented 35% of financial savings and had replaced a large part of previous savings deposits.

Lastly, in order to regulate the excess liquidity existing in the economy, the minimum reserve requirement on deposits was modified several times, with the result that, by the end of the year, it was equivalent to 37%, as compared with 27% in December 1986.

b) *Government income and expenditure*

In recent years the general State budget has been based on the country's petroleum revenues, which in 1985 represented 60% of total net income. In the last two years public finances have, therefore, been severely affected by the reduction in petroleum sales. In 1986, the 50% drop in the price of petroleum caused State revenues based on the exploitation of this natural resource to fall to

37% of total net income. In 1987, the fiscal situation was seriously affected again, this time as a result of the paralysation of petroleum production and exports discussed earlier. Owing to the above, current income increased by 24% in nominal terms, after having decreased by a little more than 1% the year before (see table 20), while oil revenues, which had plummeted by 35% in 1986, increased by only 9% in nominal terms, which in real values was equivalent to a decrease of around 17%. On the other hand, the increase in domestic fuel prices resulted in an extremely sharp rise in tax revenues (174%).

Non-petroleum revenues (65% of total net income in 1987 as compared to 59% the preceding year) grew by 29% in nominal terms, which represented a drop of 3% in real values. Revenues from direct, indirect and foreign-trade taxes were lower than the year before.

In summary, the State's net current budgetary income represented 13% of the product, which was a slightly lower proportion than in 1986 and considerably less than in 1985. Non-petroleum tax revenues represented only 8% of the product.

The programme of public spending which the authorities had agreed to implement was revised upward after the earthquake in March. Thus, total expenditure rose by about 30% in nominal terms rather than by the 20% rate that had been budgeted before the earthquake. Consequently, expenditure held steady in real terms, with current outlays decreasing and capital expenditure rising as a result of the reconstruction work undertaken after the earthquake.

All the above was reflected in an increase in the central government deficit, which, as a percentage of the product, climbed from a little more than 2% in 1986 to nearly 3% in 1987.

Table 1

ECUADOR: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	103.8	104.9	103.6	108.6	113.8	117.7	109.5
Gross national income	102.6	100.7	97.4	101.5	106.5	101.6	93.6
Population (thousands of inhabitants)	8 361.0	8 606.0	8 857.0	9 115.0	9 378.0	9 647.0	9 923.0
Per capita gross domestic product	100.9	99.1	95.1	96.8	98.7	98.9	89.5
Growth rates							
B. Short-term economic indicators							
Gross domestic product	3.8	1.1	-1.2	4.8	4.8	3.4	-7.0
Per capita gross domestic product	0.9	-1.7	-4.0	1.8	2.0	0.6	-9.6
Gross national income	2.6	-1.8	-3.3	4.3	5.0	-4.6	-7.8
Unemployment rate	...	...	13.5	10.6	10.4	12.0	13.0
Consumer prices							
December to December	17.2	24.4	52.5	25.1	24.4	27.3	32.5
Variation between annual averages	16.0	16.3	48.4	31.2	28.0	23.0	29.5
Real minimum wage ^b	-13.8	-10.4	-11.5	1.2	-0.5	3.3	-7.3
Money (M ₁) ^c	11.7	20.2	30.4	42.2	23.6	20.4	32.0
Current net income of government	...	17.0	30.8	65.9	89.7	-1.4	23.5
Total expenditure of government	...	13.8	16.2	43.7	57.0	29.2	28.7
Fiscal deficit/total expenditure of government ^d	29.9	27.9	18.9	6.3	13.1 ^e	13.7	17.2
Fiscal deficit/gross domestic product ^d	4.8	4.3	2.5	0.8	2.0 ^e	2.2	2.7
Current value of exports of goods and services							
	1.6	-8.1	-1.2	9.5	13.8	-21.4	-5.7
Current value of imports of goods and services							
	8.0	-7.8	-37.4	17.4	1.6	2.9	18.8
Terms of trade (goods)	-0.4	-1.7	-17.4	13.5	1.7	-25.1	-1.1
Terms of trade (goods and services)	-0.4	-3.2	-15.6	8.7	2.3	-24.4	0.5
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-248	-236	821	755	1 119	352	-216
Net payments of profits and interest	695	865	738	882	936	888	912
Balance on current account	-1 037	-1 246	-28	-268	69	-658	-1 261
Balance on capital account	667	906	138	187	-44	486	1 181
Variation in net international reserves	-381	-328	127	-58	-5	-201	-80
External debt ^f	5 868	6 186	6 690	6 949	7 440	8 160	9 168

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncluding various gratuities and bonuses. ^cFrom December to December.^dPercentages. ^eFiscal surplus. ^fEnd-of-year balances, excluding the debt with the International Monetary Fund.

Table 2

ECUADOR: TOTAL SUPPLY AND DEMAND^a

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Total supply	107.2	111.5	107.8	125.3	123.6	8.2	4.9	3.9	-3.3
Gross domestic product	113.8	117.7	109.5	100.0	100.0	4.8	4.8	3.4	-7.0
Imports of goods and services	81.3	87.0	101.7	25.3	23.6	32.9	5.6	7.0	17.0
Total demand	107.2	111.5	107.8	125.3	123.6	8.2	4.9	3.9	-3.3
Domestic demand	99.4	101.9	100.1	100.5	92.0	6.6	1.7	2.5	-1.8
Gross domestic investment	71.3	70.9	73.1	26.1	17.5	-1.4	7.9	-0.5	3.1
Gross fixed investment	70.4	72.4	77.4	23.6	16.7	-4.5	6.8	2.9	6.9
Construction	85.1	84.1	86.3	12.6	9.9	-3.8	3.0	-1.1	2.6
Machinery and equipment	53.6	59.1	67.2	11.0	6.8	-5.9	14.5	10.2	13.7
Public	85.1	93.3	86.2	6.4	5.1	-3.4	17.8	9.6	-7.6
Private	64.9	64.7	74.1	17.2	11.7	-5.0	2.2	-0.3	14.6
Changes in stocks	80.4	56.7	32.7	2.5	0.7				
Total consumption	109.3	112.7	109.5	74.4	74.6	8.5	0.4	3.2	-2.8
General government	89.3	88.9	...	14.5	...	-3.6	-4.2	-0.4	...
Private	114.1	118.5	...	59.9	...	11.3	1.3	3.8	...
Exports of goods and services	138.9	150.3	139.0	24.8	31.6	14.0	15.6	8.2	-7.5

Source: ECLAC, on the basis of figures supplied by the Central Bank of Ecuador.

^aThese series were calculated on the basis of official figures, which were reweighted according to the 1980 current price structure. Therefore, the results do not necessarily match those published by the countries in their calculations at constant prices. The figures for exports and imports of goods and services were obtained from the balance of payments in dollars at current prices prepared by the International Monetary Fund, which were then converted to constant 1980, values by means of unit value indexes calculated by ECLAC for the purpose.

^bPreliminary figures.

Table 3

**ECUADOR: GROSS DOMESTIC PRODUCT, BY KIND
OF ECONOMIC ACTIVITY^a**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Gross domestic product	113.8	117.7	109.3	100.0	100.0	4.8	4.8	3.4	-7.0
Goods	122.9	127.4	103.8	49.4	46.9	5.6	6.3	3.7	-18.5
Agriculture	114.1	125.6	134.9	12.1	15.0	10.6	9.9	10.1	7.4
Mining and petroleum industry ^c	143.2	149.4	88.1	21.0	16.9	9.1	8.3	4.4	-41.1
Manufacturing	107.9	105.5	105.4	8.8	8.5	-3.7	-1.1	-2.2	-0.1
Construction	97.6	94.3	95.6	7.4	6.5	-2.2	2.4	-3.4	1.4
Basic services	119.4	132.8	140.7	8.7	11.2	6.7	4.7	11.3	6.0
Electricity, gas and water	164.4	203.5	224.0	0.8	1.7	28.8	-0.2	23.8	10.1
Transport, storage and communications	114.6	125.4	132.0	7.9	9.5	3.8	5.4	9.4	5.3
Other services	105.4	107.0		40.9		0.3	2.3	1.6	
Commerce	97.9	100.0		14.6		4.1	3.4	2.2	
Financial institutions, insurance, real estate and business services	103.7	105.1		11.7		-6.2	2.9	1.3	
Ownership of dwellings	119.5	121.2		4.8		3.1	5.6	1.4	
Community, social and personal services	114.1	115.5	109.2	14.6	41.9	2.3	1.0	1.2	6.0
Government services	108.3	108.7		9.1		1.9	0.5	0.4	
Adjustments:									
Less imputed charges									
for banking services	90.3	98.2		3.0		-27.2	0.8	8.8	
Less imports duties	59.9	60.2		4.1		6.7	9.3	0.5	

Source: ECLAC, estimates on the basis of official figures supplied by the Central Bank of Ecuador.

^aThese series were calculated on the basis of official figures, which were reweighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^bPreliminary figures.

^cOil refining is included in the petroleum industry and excluded from manufacturing.

Table 4

ECUADOR: INDICATORS OF AGRICULTURAL PRODUCTION

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Millions of sucres at 1975 prices								
Crop farming	90.5	99.5	106.6	105.9	19.9	9.9	7.1	-0.7
Stock raising	115.4	120.9	125.8	130.1	3.5	4.8	4.1	3.4
Forestry	107.9	112.1	122.1	140.3	-3.6	3.9	8.9	14.9
Fishing and hunting	137.4	174.2	212.0	258.7	13.6	26.8	21.7	22.0
Production (thousands of tons)								
Main products								
Bananas	1 678.0	1 970.0	2 316.0	2 386.5	2.2	17.4	17.6	3.0
Coffee	97.0	121.0	483.7	372.6	19.7	24.7	299.8	-23.0
Cocoa	49.0	131.0	89.9	57.5	8.8	167.3	-31.4	-36.0
Sugar cane	3 042.0	2 694.0	3 749.5	3 000.7	15.8	-11.4	39.2	-20.0
Cotton	8.0	19.0	36.9	20.0	100.0	137.5	94.2	-45.8
Soya	47.0	63.0	72.3	146.3	235.7	34.0	14.8	102.4
African palm	372.0	458.0	657.7	687.6	5.1	23.1	43.6	4.5
Rice	437.0	397.0	576.8	780.7	60.1	-9.2	45.3	35.4
Wheat	25.0	18.0	33.0	30.4	-7.4	-28.0	83.3	-7.9
Hard maize	269.0	300.0	315.5	287.8	45.4	11.5	5.2	-8.8
Soft maize	57.0	72.0	86.2	88.5	29.5	26.3	19.7	2.7
Barley	25.0	27.0	43.7	43.5	-16.6	8.0	61.9	-0.5
Potatoes	390.0	423.0	388.6	353.9	24.2	8.5	-8.1	-8.9
Primary products								
Beef	99.0	94.0	97.0	100.8	2.1	-5.1	3.2	3.9
Poultry meat	42.0	41.0	43.0	44.7	40.0	-2.4	4.9	4.0
Milk (millions of litres)	1 019.0	1 233.0	1 277.4	1 321.6	5.6	21.0	3.6	3.5
Area harvested (thousands of hectares)								
Main products								
Bananas	61.0	65.0	111.8	119.5	3.4	6.6	72.0	6.9
Coffee	345.0	427.0	420.5	383.1	1.7	23.8	-1.5	-8.9
Cocoa	265.0	287.0	326.4	310.8	-1.8	8.3	13.7	-4.8
Sugar cane	37.0	41.0	42.2	44.2	68.2	10.8	2.9	4.7
Cotton	10.0	17.0	24.7	25.2	...	70.0	45.3	2.0
Soya	28.0	35.0	39.3	81.1	179.9	25.0	12.3	106.4
African palm	29.0	34.0	44.0	48.0	...	17.2	29.4	9.1
Rice	139.0	150.0	227.6	276.0	46.3	7.9	51.7	21.3
Wheat	24.0	18.0	41.1	39.5	-7.7	-25.0	128.3	-3.9
Hard maize	183.0	180.0	261.3	248.2	26.2	-1.6	45.2	-5.0
Soft maize	62.0	75.0	176.4	185.6	1.6	21.0	135.2	5.2
Barley	31.0	29.0	64.2	61.4	3.3	-6.5	121.4	-4.4
Potatoes	33.0	37.0	53.6	56.3	22.2	12.1	44.9	5.0
Total	1 247.0	1 395.0	1 833.1	1 878.9	...	11.9	31.4	2.5

Source: ECLAC, on the basis of data supplied by the Central Bank of Ecuador, the Ministry of Agriculture and the National Development Council (CONADE).

^aPreliminary figures.

Table 5

ECUADOR: INDICATORS OF FISHING PRODUCTION

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Millions of sucres at 1975 prices								
Gross fishing product ^b	2 214.0	2 807.0	3 416.0	4 168.0	13.6	26.8	21.7	22.0
Thousands of tons								
Catch								
Shrimp	39.9	35.0	37.5	47.1	9.0	-12.3	7.1	25.6
Tunnyfish	35.0	30.0	29.4	27.3	118.8	-14.3	-2.0	-7.1
Other fish	780.2	880.0	...	...	239.2	12.8		
Exports								
Shrimp	21.3	20.0	31.1	48.6	-1.4	-6.1	55.5	56.3
Tunnyfish	2.5	5.2	26.9	29.5	66.6	108.0	417.3	9.7
Fish	5.2	6.6	11.4	12.2	100.0	26.9	72.7	7.0
Fishmeal	97.4	233.0	176.1	81.8	266.2	139.2	-24.4	-53.5
Canned tunnyfish	24.6	17.2	5.1	7.1	303.3	-30.1	-70.3	39.2
Other marine products, processed and unprocessed	8.4	34.0	18.0	16.0	18.3	304.8	-47.1	-11.1

Source: National Development Council (CONADE), Department of Fishing and Central Bank of Ecuador.

^aPreliminary figures. ^bIncludes fishing and hunting.

Table 6

ECUADOR: INDICATORS OF THE HYDROCARBONS INDUSTRY

	Millions of barrels				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Crude oil								
Total supply	93.9	102.4	107.0	73.7	8.3	9.1	4.5	-31.1
National production	93.9	102.4	107.0	62.7	8.3	9.1	4.5	-41.4
Imports				11.0				
Total demand	93.9	102.4	107.0	73.7	8.3	9.1	4.5	-31.1
Refinery consumption	32.6	31.6	35.0	29.4	18.6	-3.2	10.7	-16.0
Exports	61.3	70.6	71.4	45.4	3.4	15.1	1.2	-36.4
Variation in stocks	-0.1	0.3	0.6	-1.1		-341.3	147.0	-275.3
Petroleum products								
Supply of petroleum products	36.8	36.2	38.3	36.2	8.0	-1.5	5.8	-5.5
Production of petroleum products	32.5	31.3	34.8	28.8	20.0	-3.6	11.0	-17.3
Imports of petroleum products	4.2	4.9	3.5	7.4	-38.5	14.4	-27.6	111.3
Demand for petroleum products	36.8	36.2	38.3	36.2	8.0	-1.5	5.8	-5.5
Domestic consumption	29.9	30.2	30.6	29.2	7.6	1.0	1.3	-4.5
Gasoline	10.0	10.2	10.6	10.1	5.2	1.9	3.8	-4.2
Other	19.9	20.0	20.0	19.0	8.9	0.6	0.1	-4.7
Exports	6.2	4.8	6.7	5.7	51.8	-22.4	37.8	-14.5
Variation in stocks	0.6	1.2	1.0	1.3	-70.0	83.8	-11.6	24.3

Source: Central Bank of Ecuador.

^aPreliminary figures.

Table 7

ECUADOR: GROSS MANUFACTURING PRODUCT

	Millions of sucres at 1975 prices				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Manufacturing^b	28 643.0	28 741.0	28 615.0	28 781.0	-1.9	0.3	-0.4	0.6
Food, beverages and tobacco	11 335.0	11 381.0	11 425.0	11 590.0	-1.6	0.4	0.4	1.4
Textiles, clothing and leather goods	6 659.0	6 639.0	6 282.0	6 188.0	-1.4	-0.3	-5.4	-1.5
Wood and wood products	1 575.0	1 583.0	1 622.0	1 736.0	-2.4	0.5	2.5	7.0
Paper and printed matter	1 767.0	1 811.0	1 971.0	2 050.0	-2.0	2.5	8.8	4.0
Chemicals, plastics and products thereof	1 726.0	1 564.0	1 656.0	1 623.0	-12.4	-9.4	5.9	-2.0
Non-metallic minerals and basic metal products	3 473.0	3 662.0	3 498.0	3 411.0	-2.5	5.4	-4.5	-2.5
Machinery, equipment and other manufactures	2 108.0	2 101.0	2 161.0	2 183.0	7.4	-0.3	2.9	1.0

Source: Central Bank of Ecuador.

^aPreliminary figures. ^bExcludes petroleum refining.

Table 8

ECUADOR: MAIN FOREIGN TRADE INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports of goods							
Value	0.3	-7.9	0.9	11.7	10.8	-24.8	-7.7
Volume	2.6	-1.9	8.9	15.8	15.0	6.2	-9.7
Unit value	-2.3	-6.1	-7.3	-3.5	-3.7	-29.1	2.1
Imports of goods							
Value	5.0	-7.1	-35.0	10.3	2.8	1.2	25.6
Volume	8.1	-2.3	-42.3	33.4	8.0	7.3	21.1
Unit value	-2.9	-4.8	12.7	-17.4	-4.8	-5.7	3.7
Terms of trade (goods)	-0.4	-1.7	-17.4	13.5	1.7	-25.1	-1.1
Indexes (1980 = 100)							
Purchasing power of exports of goods	102.2	98.6	88.7	116.5	136.3	108.3	96.8
Purchasing power of exports of goods and services	101.6	95.8	85.8	106.3	125.7	102.8	95.4
Volume indexes:							
Exports of goods	102.6	100.7	109.6	126.9	145.9	154.9	139.9
Imports of goods	108.1	105.6	60.9	81.3	87.8	94.2	114.0
Terms of trade (goods)	99.6	97.9	80.9	91.8	93.4	69.9	69.2

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 9
ECUADOR: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	2 620.3	2 904.7	2 185.7	2 021.2	100.0	100.0	11.7	10.9	-24.8	-7.5
Primary products	2 276.5	2 566.1	1 877.8	1 729.9	76.2	85.6	5.9	12.7	-26.8	-7.9
Crude oil	1 678.3	1 824.6	912.4	739.4	56.1	36.6	2.4	8.7	-50.0	-19.0
Coffee	174.7	190.8	298.9	192.3	5.3	9.5	17.5	9.2	56.7	-35.7
Shrimp	159.8	156.5	287.8	383.1	2.3	19.0	-8.6	-2.1	83.9	33.1
Bananas	135.1	219.9	263.4	266.9	9.6	13.2	-11.1	62.8	19.8	1.3
Cocoa	95.9	138.4	71.1	82.7	1.2	4.1	100.0	44.3	-48.6	16.3
Other	32.7	35.9	44.2	65.5	1.7	3.2	24.0	9.8	23.1	48.2
Manufactured products	343.8	338.6	307.9	291.3	23.8	14.4	72.9	-1.5	-9.1	-5.4
Petroleum products	156.5	101.9	70.1	78.2	6.8	3.9	65.9	-34.9	-31.2	11.6
Processed marine products ^b	63.9	97.1	72.5	58.5	3.6	2.9	128.6	52.0	-25.3	-19.3
Processed cocoa products	50.3	78.7	77.2	57.1	7.3	2.8	42.3	56.5	-1.9	-26.0
Other	73.1	60.9	88.1	97.5	6.1	4.8	45.1	-16.7	44.7	10.7

Source: Central Bank of Ecuador.

^aPreliminary figures.

^bIncludes fishmeal, other products and fish oil.

Table 10
ECUADOR: VOLUME OF EXPORTS OF MAIN PRODUCTS

	Thousands of tons				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Petroleum ^b	61.3	70.6	71.4	45.4	3.4	15.2	1.1	-36.4
Coffee	72.0	78.3	102.7	97.6	-4.0	8.7	31.2	-5.0
Bananas	924.0	1 278.2	1 399.6	1 401.5	1.5	38.3	9.5	0.1
Cocoa	46.9	70.4	38.3	44.9	681.6	50.1	-45.6	17.2
Shrimp	21.3	20.0	31.1	48.6	-1.4	-6.1	55.5	56.3
Processed cocoa products	28.4	34.1	35.4	24.3	5.2	20.1	3.8	-31.4
Petroleum products ^b	6.2	4.9	6.7	5.7	51.2	-21.0	36.7	-14.9
Processed marine products ^c	130.2	284.0	199.0	104.7	227.1	118.1	-29.9	-47.4

Source: Central Bank of Ecuador.

^aPreliminary figures.

^bMillions of barrels.

^cIncludes fishmeal, canned tunnyfish and other marine products.

Table 11

ECUADOR: IMPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	1 615.7	1 766.1	1 806.1	2 227.0	100.0	100.0	8.6	9.3	2.3	23.3
Consumer goods	142.7	152.0	169.6	208.3	18.2	9.4	25.2	6.5	11.6	22.8
Non-durable	82.8	94.0	102.1	124.8	4.6	5.6	32.7	13.5	8.6	22.2
Durable	59.9	58.0	67.5	83.5	13.5	3.7	16.1	-3.2	16.4	23.7
Raw materials and intermediate goods	1 032.9	1 088.6	964.5	1 286.7	42.6	57.8	5.4	5.4	-11.4	33.4
For agriculture	62.7	71.6	62.8	52.7	2.0	2.4	48.6	14.2	-12.3	-16.1
For industry	749.9	768.9	726.4	791.7	27.5	35.6	28.6	2.5	-5.5	9.0
Construction materials	46.8	49.8	61.9	73.5	4.2	3.3	13.0	6.4	24.3	18.7
Fuels and lubricants	173.5	198.3	113.4	368.8	8.9	16.6	-44.7	14.3	-42.8	225.2
Capital goods	440.1	525.5	672.0	732.0	39.2	32.9	11.4	19.4	27.9	8.9
For agriculture	17.5	34.1	35.0	28.8	1.2	1.3	62.0	94.9	2.6	-17.7
For industry	274.1	338.7	407.5	500.8	21.7	22.5	1.0	23.6	20.3	22.9
Transport equipment	148.5	152.7	229.5	202.4	16.3	9.1	34.3	2.8	50.3	-11.8

Source: Central Bank of Ecuador.

^a Preliminary figures.

Table 12

ECUADOR: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-700	-1 037	-1 246	-28	-268	69	-658	-1 261
Trade balance	-60	-248	-236	821	755	1 119	352	-216
Exports of goods and services	2 865	2 911	2 676	2 643	2 895	3 294	2 589	2 442
Goods FOB	2 520	2 527	2 327	2 348	2 622	2 905	2 186	2 017
Real services ^b	345	384	349	295	273	389	403	425
Transport and insurance	135	166	139	112	95	177	186	176
Travel	131	131	131	120	120	133	133	167
Imports of goods and services	2 925	3 159	2 912	1 822	2 140	2 175	2 237	2 658
Goods FOB	2 242	2 353	2 187	1 421	1 567	1 611	1 631	2 048
Real services ^b	683	806	725	401	573	564	606	610
Transport and insurance	328	378	244	182	296	257	272	319
Travel	228	260	250	152	155	196	210	170
Factor services	-640	-789	-1 010	-849	-1 023	-1 050	-1 010	-1 045
Profits	-116	-100	-80	-60	-70	-126	-139	-130
Interest received	88	69	26	45	77	29	28	19
Interest paid	-523	-664	-811	-723	-889	-839	-777	-801
Other	-89	-94	-145	-111	-141	-114	-122	-133
Unrequited private transfer payments	-	-	-	-	-	-	-	-
Balance on capital account	970	667	906	138	187	-44	486	1 181
Unrequited official transfer payments	30	25	20	24	20	80	45	75
Long-term capital	763	1 077	164	1 372	358	474	773	...
Direct investment (net)	70	60	40	50	50	62	70	75
Portfolio investment (net)	-	-	-	-	-	-	-	...
Other long-term capital	693	1 017	124	1 322	308	412	703	...
Official sector ^c	609	898	-245	2 265	879	492	741	...
Loans received	795	1 283	213	2 641	1 531	1 731	2 004	...
Amortization payments	-176	-378	-442	-363	-643	-1 232	-1 247	...
Commercial banks ^c	5	2	-	-7	-9	-	-	...
Loans received	8	7	8	-	1	-	-	...
Amortization payments	-1	-1	-1	-1	-1	-	-	...
Other sectors ^c	79	117	369	-936	-562	-80	-38	...
Loans received	496	462	1 112	150	78	22	18	...
Amortization payments	-416	-345	-742	-1 085	-639	-102	-56	...
Short-term capital (net)	217	-360	919	-1 073	-200	-677	-153	...
Official sector	-30	1	572	-520	-95	-	-136	...
Commercial banks	-17	-5	50	7	34	-63	-	...
Other sectors	264	-356	297	-560	-139	-614	-17	...
Errors and omissions (net)	-40	-75	-197	-185	9	79	-179	...
Global balance ^d	270	-370	-340	110	-81	24	-172	-80
Total variation in reserves (- sign indicates an increase)	-291	381	328	-127	58	5	201	80
Monetary gold	-	-	-	-	-	-	-	...
Special Drawing Rights	1	-9	34	-	-	-28	-27	...
IMF reserve position	-15	-1	29	-12	12	-	-	...
Foreign exchange assets	-277	391	266	-328	21	-78	101	...
Other assets	-	-	-	-	-	-10	-	...
Use made of IMF credit	-	-	-	213	25	121	127	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Includes other non-factor services.

^c Includes net loans granted and other assets and liabilities.

^d Equals the total variation in reserves (of opposite sign), plus counterpart items.

Table 13
ECUADOR: EXTERNAL DEBT^a

	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total external debt balance ^b	5 868.0	6 185.8	6 690.2	6 949.2	7 439.7	8 159.0	9 168.0
Medium- and long-term	5 272.0	5 365.0	6 690.0	6 949.0	7 440.0	...	...
Short-term	596.0	821.0	...	...	...	...	...
Public ^c	4 416.0	4 557.3	6 020.5	6 772.2	7 342.8	8 100.5	...
Private ^c	1 452.0	1 628.5	669.7	177.0	96.9	58.5	...
Debt service							
Refinanced	-	666.7	1 602.5	1 329.6	1 172.3	981.7	1 422.7
Amortization payments	-	666.7	1 565.5	1 319.4	1 172.3	981.7	905.7
Interest payments	-	-	37.0	10.2	-	-	517.0
Actually paid	2 138.7	1 985.0	871.1	1 052.0	997.5	1 085.2	1 052.0
Amortization payments	1 513.2	1 218.3	202.1	211.7	222.3	380.9	787.4
Interest payments	625.5	766.7	669.0	840.3	775.2	704.3	264.6
Total disbursements ^d	2 767.8	2 245.2	2 332.0	1 823.0	1 841.0	2 151.8	2 265.2
Annual growth rates							
Total external debt balance ^b		5.4	8.2	3.9	7.1	9.7	12.4
Medium- and long-term		1.8	24.7	3.9	7.1	...	...
Short-term		37.8	...	...	...	...	...
Public ^c		3.2	32.1	12.5	8.4	10.3	...
Private ^c		12.2	-58.9	-73.6	-45.3	-39.6	...
Debt service							
Refinanced		-	140.4	-17.0	-11.8	-16.3	44.9
Amortization payments		-	134.8	-15.7	-11.1	-16.3	-7.7
Interest payments				-72.4			
Actually paid		-7.2	-56.1	20.8	-5.2	8.8	-3.1
Amortization payments		-19.5	-83.4	4.8	5.0	71.3	106.7
Interest payments		22.6	-12.7	25.6	-7.7	-9.1	-62.4
Total disbursements ^d		-18.9	3.9	-21.8	1.0	16.9	5.3
Percentages							
Ratios							
Total external debt/exports of goods and services	201.6	231.1	253.1	240.0	225.8	315.1	375.4
Actual servicing/exports of goods and services ^e	72.4	74.8	33.3	35.3	31.3	43.6	43.0
Refinanced and unpaid interest/exports of goods and services	-	-	-	-	-	-	21.0
Net interest payments/exports of goods and services ^f	20.4	29.3	25.6	28.0	24.6	28.9	32.0
Service/disbursements ^g	76.2	89.2	37.7	56.2	56.1	52.5	69.3

Source: ECLAC, on the basis of figures supplied by the Central Bank of Ecuador.

^a Preliminary figures. ^b End-of-year balances, excluding the debt owed to the International Monetary Fund (IMF). ^c As from November 1982, the external debt that was refinanced with foreign banks was assumed by the Central Bank. As from June 1983, the external debt that was refinanced with the Paris Club was assumed by the Government of Ecuador. ^d Disbursement figures included the amounts refinanced in the respective years. ^e Service does not include refinanced interest and principal. ^f Refers to the amount of total net interest shown in the balance-of-payments, not to the figures appearing in this table.

Table 14

ECUADOR: EXCHANGE RATES

Annual and quarterly averages	Normal exchange rates ^a (sucres per dollar)			Indexes of effective real exchange rate ^b	
	Official market	Public-sector market	Open market	Exports	Imports
1970-1979	25			116.7	110.8
1980	25	27	28	100.0	100.0
1981	25	28	31	93.2	90.4
1982	30	34	50	97.7	92.3
1983	44	83	84	97.1	90.0
1984	63	93	96	132.3	120.7
1985	71	97	116	127.2	116.0
1986	96	123	151	129.3	129.4
1987	96	171	219	143.2	149.8
1985					
I	67	97	122	136.7	122.2
II	67	97	115	128.5	115.5
III	67	97	109	123.0	112.6
IV	83	97	124	120.7	113.8
1986					
I	96	106	140	122.0	119.0
II	96	110	164	118.9	118.2
III	96	131	158	135.1	137.2
IV	96	147	145	141.1	143.2
1987					
I	96	147	149	133.9	138.3
II	96	155	178	133.3	139.3
III	96	173	299	143.4	148.0
IV	96	209	249	162.2	173.6

Source: ECLAC, on the basis of figures supplied by the Central Bank of Ecuador and by the International Monetary Fund.

^aRefers to the average of the buying and selling rates in the case of the official market and to the average selling rate for the public-sector and open markets. ^bCorresponds to the average of the indexes of the real exchange rate for the sucre *vis-à-vis* the currencies of Ecuador's main trading partners, weighted by the relative significance of exports to those countries or imports from them, as appropriate. From 1970 to 1980, these weightings correspond to the average for the period 1975-1979; from 1981 onward, they correspond to the average for the period 1982-1985. The exchange rate used in Ecuador was as follows: until 1983, the official market quotation; in 1984, an average of the exchange rates on the official market and on the public-sector market; and from 1985 onward, the public-sector market rate. The methodology and sources used may be found in the technical appendix to the *Economic Survey of Latin America*, 1981.

Table 15

ECUADOR: CONSUMER PRICE INDEX^a

	1980	1981	1982	1983	1984	1985	1986	1987
Variation from December to December								
Consumer price index	14.5	17.2	24.4	52.5	25.1	24.4	27.3	32.5
Food	12.3	16.8	26.3	86.1	27.1	27.0	26.5	33.3
Variation between annual averages								
Consumer price index	13.0	16.0	16.3	48.4	31.2	28.0	23.0	29.5
Food	11.0	13.9	17.1	77.9	37.0	30.7	23.2	28.7

Source: Central Bank of Ecuador.

^aThe figures given for 1980 correspond to the consumer price index for Quito. From 1981 onward, the entries refer to the national consumer price index, urban area.

Table 16

ECUADOR: MONTHLY MINIMUM WAGES

(Average values)

	Sucre at current and constant 1980 prices ^a						Growth rates					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Workers in general												
Nominal	4 100	5 100	6 600	8 183	10 833	13 250	2.5	24.4	29.4	24.0	32.4	22.3
Real	3 039	2 547	2 513	2 434	2 620	2 474	-11.9	-16.2	-1.3	-3.1	7.6	-5.6
Agricultural workers, highland region												
Nominal	2 617	3 550	4 400	5 733	7 979	9 900	4.7	35.7	23.9	30.3	39.2	24.1
Real	1 940	1 773	1 675	1 705	1 930	1 849	-10.0	-8.6	-5.5	1.8	13.2	-4.2
Agricultural workers, coastal region												
Nominal	3 100	4 000	5 000	6 250	8 125	9 900	3.3	29.0	25.0	25.0	30.0	21.8
Real	2 298	1 998	1 904	1 859	1 965	1 849	-11.1	-13.1	-4.7	-2.4	5.7	-5.9
Agricultural workers, eastern region												
Nominal	2 617	3 550	5 000	6 250	8 125	9 900	4.7	35.7	40.8	25.0	30.0	21.8
Real	1 940	1 773	1 904	1 859	1 965	1 849	-10.0	-8.6	7.4	-2.4	5.7	-5.9
Small-scale industry												
Nominal	3 100	3 750	5 000	6 250	8 833	11 000	3.3	21.0	33.3	25.0	41.3	24.5
Real	2 298	1 873	1 904	1 859	2 136	2 054	-11.1	-18.5	1.7	-2.4	14.9	-3.8
Artisans												
Nominal	2 900	3 775	4 600	5 767	7 854	9 550	3.6	30.2	21.9	25.4	36.2	21.6
Real	2 150	1 886	1 751	1 715	1 899	1 783	-10.9	-12.3	-7.2	-2.1	10.7	-6.1
Domestic workers												
Nominal	1 617	2 450	3 000	3 750	4 983	6 060	7.8	51.5	22.4	25.0	32.9	21.6
Real	1 199	1 224	1 142	1 115	1 205	1 132	-7.3	2.1	-6.7	-2.4	8.1	-6.1

Source: ECLAC, on the basis of figures supplied by the Central Bank of Ecuador.

^aMonthly averages. Nominal wages were deflated by the average annual national consumer price index, urban area.

Table 17

ECUADOR: MONETARY INDICATORS

	End-of-year balances (billions of sucres)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Issues	37.8	46.5	59.6	80.2	41.0	23.0	28.2	34.6
Monetary base	57.5	74.3	101.9	143.0	44.8	29.2	37.1	40.3
Money (M ₁)	111.5	137.8	165.9	219.0	42.0	23.6	20.4	32.0
Currency outside banks	34.6	41.7	53.3	73.3	38.9	20.5	27.8	37.5
Monetary deposits	76.9	96.1	112.6	145.7	43.7	25.0	17.2	29.4
Quasi-money	116.4	164.5	212.7	310.5	53.7	41.3	29.3	46.0
Money plus quasi-money (M ₂)	227.9	302.3	378.6	529.5	47.8	32.6	25.2	39.9
M ₂ determinants								
Factors of expansion	474.6	683.4	793.0	967.6	56.7	44.0	16.0	22.0
Net international assets	4.5	18.7	14.3	1.1	55.2	315.6	-23.5	-92.3
Domestic credit	457.9	652.0	761.9	963.7	48.9	42.4	16.9	26.5
Central government (net)	-3.7	-19.9	-27.9	-16.1				
Rest of public sector (net)	-33.1	-57.2	-54.3	-55.5				
Private financial institutions	34.9	38.9	43.3	44.8	131.2	11.5	11.3	3.5
Private sector	229.0	287.4	334.7	422.3	33.5	25.5	16.5	26.2
Unclassified assets (net)	230.8	402.1	466.1	568.2	60.2	74.2	15.9	21.9
Other	12.2	12.7	16.8	2.8	62.6	4.1	32.3	-83.3
Factors of contraction	246.9	380.6	414.4	438.1	66.2	54.2	8.9	5.7
Medium- and long-term external liabilities	219.6	346.4	372.9	387.5	72.5	57.7	7.7	3.9
Capital and reserves	27.3	34.2	41.5	50.6	28.2	25.3	21.3	21.9

Source: Central Bank of Ecuador.

^aPreliminary figures.

Table 18

ECUADOR: MONETARY BALANCE, 1987

(Variations with respect to 1986)

	Central Bank	Banking system	
	Billions of sucres	Billions of sucres	Percentage variation
International reserves	-7.6	-13.2	-92.3
Net domestic credit	28.2	164.1	45.0
Public sector	18.1	11.0	13.4
Private sector	-28.5	87.6	26.2
Private banks	-10.5	...	...
Banco de Fomento	-5.2	...	...
Financial companies	1.5	1.5	3.5
Other net assets	52.8	64.0	93.4
Monetary issues	20.6	...	...
M ₂	...	150.9	39.9

Source: ECLAC, on the basis of official figures.

Table 19

ECUADOR: SHORT-TERM BANK INTEREST RATES^a

(End-of-year percentages)

	1980	1981	1982	1983	1984	1985	1986	1987
Central Bank operations								
General discounts and rediscounts								
Nominal rate	10.0	10.0	14.0	16.0	18.0	18.0	21.0	21.0
Real rate	-3.9	-6.1	-8.4	-23.9	-5.7	-5.1	-4.9	-8.7
Specific discounts and rediscounts								
Nominal rate				16.0	18.0	18.0	18.0	18.0
Real rate				-23.9	-5.7	-5.1	-7.3	-10.9
Bank and financial institution operations								
Lending operations								
Preferential operations								
Nominal rate	9.0	9.0	12.0	16.0	18.0	18.0	18.0	23.0
Real rate	-4.8	-7.0	-10.0	-23.9	-5.7	-5.1	-7.3	-7.2
Specific operations								
Nominal rate				19.0	23.0	23.0	23.0	23.0
Real rate				-22.0	-1.7	-1.1	-3.4	-7.2
Operations subject to Central Bank rediscounting								
Nominal rate	12.0	15.0	15.0	19.0	23.0	23.0	26.0	26.0
Real rate	-2.2	-1.9	-7.6	-22.0	-1.7	-1.1	-1.0	-4.9
Deposit operations								
Savings deposits								
Nominal rate	10.0	14.0	14.0	19.0	20.0	20.0	Floating	Floating
Real rate	-3.9	-2.7	-8.4	-22.0	-4.1	-3.5	...	...
Long term								
Nominal rate	10.0	14.0	14.0	19.0	22.0	22.0	Floating	Floating
Real rate	-3.9	-2.7	-8.4	-22.0	-2.5	-1.9	...	...
Accumulation policies								
Nominal rate				19.0	Floating	Floating	Floating	Floating
Real rate				-22.0	...	...	...	...

Source: ECLAC, on the basis of figures supplied by the Central Bank of Ecuador.

^aDeflated by the December-to-December consumer price index.

Table 20

ECUADOR: STATE BUDGET INCOME AND EXPENDITURE

	Billions of sucres				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
A. Total net income (1 + 6)	99.9	191.1	197.3	230.8	45.4	91.3	3.3	17.0
1. Net current income	99.9	189.5	186.8	230.8	65.9	89.7	-1.4	23.5
2. Gross current income (3 + 4 + 5)	99.9	190.6	192.0	235.4	64.2	90.7	0.7	22.6
3. Petroleum revenues	46.8	114.0	73.6	80.6	61.7	143.5	-35.4	9.4
Tax	4.2	5.0	3.2	8.7	-17.5	17.4	-36.3	174.0
Non-tax	42.6	109.0	70.4	71.9	78.8	156.1	-35.4	2.0
4. Non-petroleum revenues	51.1	74.9	117.3	150.7	60.0	46.8	56.5	28.5
Tax	48.1	70.8	111.4	142.5	57.6	47.2	57.2	27.9
Direct	9.4	14.0	20.6	26.7	31.8	48.2	47.3	29.9
Indirect	21.3	30.8	54.7	73.4	66.4	45.0	77.3	34.3
Foreign trade	17.4	26.0	36.1	42.3	63.8	49.3	38.8	17.1
Non-tax	2.9	4.1	5.9	8.3	113.0	39.2	44.4	39.5
5. Transfers	2.1	1.7	1.1	4.1		-18.0	-36.1	278.1
6. Capital income		1.6	10.5	...			555.5	...
B. Total expenditure (1 + 2)	106.7	167.5	216.5	278.6	43.7	57.0	29.2	28.7
1. Current expenditure	88.1	134.7	172.8	...	42.9	52.9	28.3	...
Salaries and wages	18.8	24.9	51.7	...	13.4	32.8	107.6	...
Interest payments	23.7	35.9	36.2	...	41.6	51.3	0.8	...
Transfers	31.0	51.3	66.2	...	47.3	65.6	28.9	...
Other	14.6	22.6	18.7	...	100.6	54.7	-16.9	...
2. Capital expenditure ^b	18.6	32.8	43.6	...	47.3	76.5	33.2	...
Deficit/Surplus (A1 - B)	-6.8	22.0	-29.6	-47.8				
Coefficients (percentages)								
Net current income/GDP	12.3	17.0	13.7	13.0				
Total expenditure/GDP ^b	13.1	15.1	15.8	15.7				
Deficit/GDP	0.8	-2.0	2.2	2.7				

Source: Central Bank of Ecuador.

^aPreliminary figures. ^bExcluding debt service amortization payments.

EL SALVADOR

1. Recent economic trends: Introduction and summary

After its virtual stagnation of the preceding year, in 1987 the Salvadoran economy resumed the slow recovery it had been making over the last five years. The real gross domestic product expanded by almost 3%, but its level was still 7% lower than in 1980, while in per capita terms the product was at the same level as it had been 25 years ago. The need for additional resources to repair the damage caused by the 1986 earthquake, the continuation of the armed conflict and the deterioration in the terms of trade heightened the country's dependence on foreign aid. After the brief respite of the preceding year, the deficit on the current account of the balance of payments escalated again, approaching US\$200 million. This was largely attributable to the sharp increase in the trade imbalance, which reached the unprecedented level of US\$280 million (see table 1 and figure 1).

The moderate upturn in the economy was combined with a substantial drop in inflation, as the 12-month price variation as of December was less than 20%. The increase in construction and the expansion of the informal urban sector opened up more job opportunities. Real wages, however, declined once again, and this led to a further decrease in consumption.

The economic recovery was helped along by an upward trend in the agricultural sector and by the improved performance of manufacturing, which —after years of steady declines— was stimulated by the increase in demand from the construction sector and by the expansion of sales to the Central American market.

The continuation of hostilities was the cause of many of the problems that hindered productive activities, especially agriculture. The armed conflict also slowed distribution services as a result of the damage done to communication routes. The irreparable loss of hundreds of lives was coupled with the forced relocation of large groups of the population within Salvadoran territory and the exodus of a sizeable segment of the labour force abroad.

One of the main factors in the country's external imbalance was the deterioration of the terms of trade, which nullified the effects of the significant rise in the volume of exports. The inflow of commercial credit was also negative, since external debt amortization payments exceeded new disbursements even though not all of the country's obligations were serviced. On the other hand, external financing in the form of concessionary aid —especially from the United States— and remittances from Salvadorans living abroad continued to mount.

In the sphere of government finances, the rejection by various private groups of a new tax package that had already been approved by Congress forced the authorities to suspend its application, to the serious detriment of projected receipts. Additionally, the fall in coffee prices lowered the receipts from taxes on exports. In terms of expenditure, the authorities sought to apply a restrictive policy which included, among other measures, the reduction of transfers to the para-State sector and the containment of administrative allocations; the level of security and defence spending, however, was higher than the year before. The end result was that the fiscal deficit was larger, and it also increased considerably as a percentage of total government expenditure and of the gross domestic product; as a result, the authorities had to resort mainly to external transfers in order to finance it.

The government's monetary and credit policies were aimed at easing the pressure on prices. In order to counter the excess liquidity in the economy, a variable reserve requirement policy was followed which reduced the expansion of the means of payment. In keeping with these aims, the exchange policy provided for the maintenance of the 1986 exchange rate.

Figure 1
EL SALVADOR: MAIN ECONOMIC INDICATORS

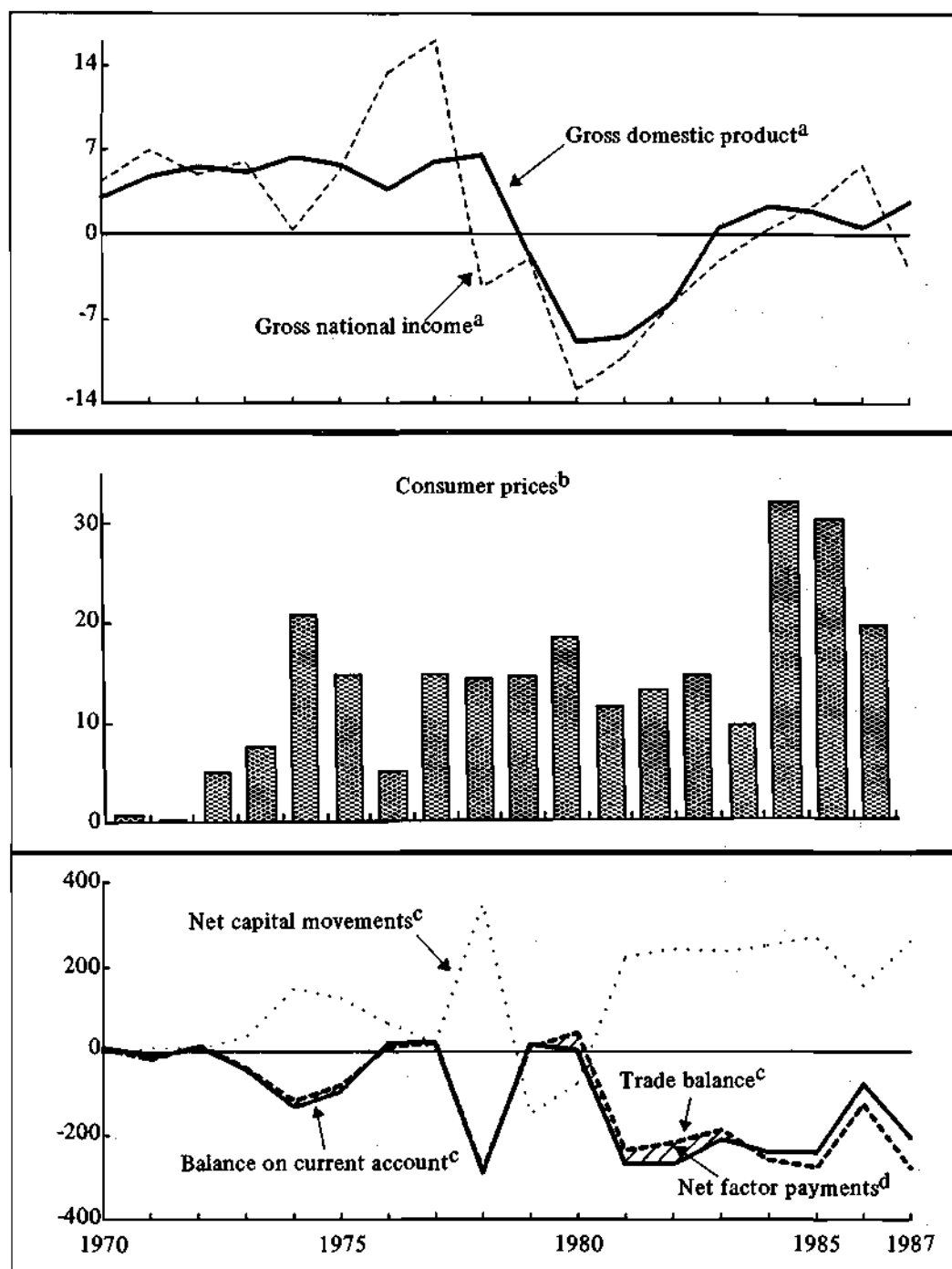
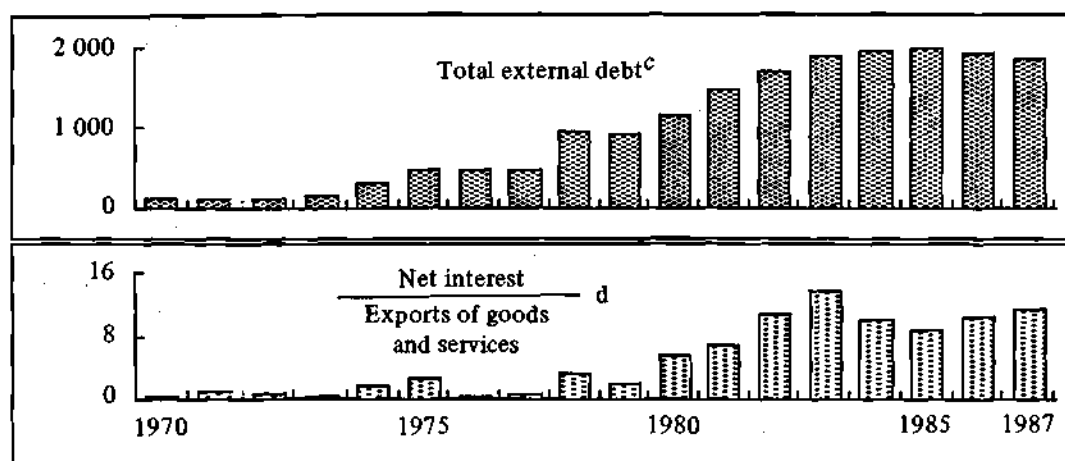


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bPercentage variation from December to December.

^cMillions of

dollars. ^dPercentages.

2. Trends in economic activity

a) *Total supply and demand*

The gross domestic product expanded by around 3%, which indicated a slight upturn in economic activity. Nonetheless, the sluggishness of the recovery was reflected in the fact that the 1987 product was 7% lower than that of 1980. In its turn, the volume of imports of goods and services descended slightly; this decline, which voided the uptrend of the preceding two-year period, was mitigated somewhat through the use of accumulated stocks. Total supply, however, showed a moderate increase (see table 2).

The most striking development in respect of aggregate demand was the sharp rise in the volume of exports of goods and services. This did not result in an increase in foreign exchange earnings, however, because the international price of coffee, the country's main export product, dropped drastically.

The unfavourable trend in domestic demand was attributable to the combined effect of the downturn in total consumption and the reduction in stocks. Nevertheless, fixed capital investment improved substantially, with increases being registered in both its public and private components. The rise in public investment, which marked the end of a six-year period of steady decreases, was largely due to the need to replace facilities damaged as a result of either the armed conflict or the earthquake that struck the capital city in 1986. Private investment, for its part, grew by 9%, and thus amounted to one-ninth of the product; it should be noted, however, that most of this investment was in construction rather than in machinery.

The decline in total consumption (-1%) was due both to the further decrease in private spending, which was largely a consequence of the deterioration of wages, and to the slower growth of public consumption, in keeping with the government's objective of restricting the expenditures of this sector (see table 2).

b) *The main sectors*

The factors that contributed to the increase in the gross domestic product included the boom in construction, which was due to the restoration of housing damaged by the earthquake; the upturn in the agricultural sector, especially crop-farming, brought about by the good coffee and maize harvests; and the step-up seen in manufacturing activity in response to the demand generated by construction and to a moderate increase in trade with other Central American countries (see table 3).

i) *Agriculture.* Production made a partial recovery from the slowdown of the preceding two-year period. This rally was based entirely on coffee, the country's main export crop, and maize, a domestic market item, since all the other major crops continued to show substantial declines, partly as a result of the drought that affected a large area of the country (see table 4).

The increase in the coffee harvest was obtained despite the fact that the armed conflict continued to hamper this activity in various zones, including the eastern part of the country, thereby intensifying the forced migration of workers. Some of the factors that played a part in this upswing were the expectations sparked by the substantial rise in international coffee prices seen during 1986; the advances made in the drive to eliminate crop diseases such as plant rust, which had caused major damage to this crop in the early years of the decade; and the fact that the full effects of the campaign to replant and care for coffee plantations, which had been launched some time ago, began to be felt.

Cotton production, which had been one of the mainstays of the economy for about a decade, continued to decrease so sharply—due to both a decline in the area sown and lower yields—that it amounted to only around one-sixth of what it had been in the mid-1970s. The main causes of this decrease were once again the drop in international prices and the gradual increase in the cost of inputs, especially imported ones.

Sugar cane production was down for the first time in recent years. Domestic problems were compounded by the successive cuts made in the United States import quota as part of a policy that has affected several countries in the region. The demand for this product for use in the country's ethyl alcohol plant increased, but this was not enough to offset the adverse impact of the above factors.

The drought led to substantial drops in the output of almost all the basic grains (beans: -52%; sorghum: -81%; milled rice: -12%). This produced severe distortions in the supply of these essential items which forced the country to resort to imports. Maize was an exception, although the increase in the harvest (32%) constituted, for the most part, no more than a recovery from the declines of the preceding two years.

The growth rate in the slaughtering of the three main livestock items was much lower than that of the preceding year, particularly in the case of cattle. In contrast, the production of milk and eggs climbed at rates of around 5% (see table 4).

The armed conflict continued to hinder attempts to maintain the cattle herd at adequate levels, as a large percentage of the herd had to be moved to zones of the country with poor grazing land. This was compounded by the drought, which made it necessary to stable a large number of beef cattle, a practice that was hampered by the decline in the supply of balanced feed. The drought also affected hog production, which was being promoted by the authorities, especially by means of disease prevention and control measures.

ii) *Manufacturing.* The reconstruction and repair of the infrastructure damaged by the earthquake that struck the country in the last quarter of 1986 and the upswing in trade with other Central American countries helped to maintain the recovery of industrial activity for the fifth consecutive year, bringing it up to a level 7% below that of 1980 (see table 5). Monetary and credit policies also had a favourable effect, in that, on the one hand, interest rates on loans were reduced midway through the year and, on the other, lines of credit using external resources were primarily channelled to small- and medium-scale industry, to agroindustries and to a special programme for the development of the eastern zone of the country. The fastest-growing branches of industry were non-metallic minerals and wood and wood manufactures, which are closely lined to construction activity.

For the first time in several years, the increase in the industrial consumption of electricity was far greater than that of the sector's product (see table 6).

iii) *Construction.* The reconstruction and repair work done in the aftermath of the earthquake made this the most dynamic sector of the economy. The authorities took some steps in the months following the disaster but soon the main responsibility was assumed by the private sector, which had access to external donations, especially from the United States. In addition, the banking system as a whole supported both the reconstruction of small businesses and the restoration of dwellings, using the partial payments received from property-damage insurance and reinsurance claims. Financial difficulties prevented the government from fully implementing its reconstruction programme, which was postponed until 1988.

iv) *Services.* Basic services expanded at a rate similar to that of the global product, thanks in part to the performance of the electrical power generation subsector, despite the fact that the drought

caused a drop in the water level of reservoirs which forced the authorities to ration this service. Furthermore, the normalization of distribution channels and the upturn in the economy gave rise to increases in transport, storage, communications and marketing in general. Finally, the value added by the government climbed slightly with the rise in the number of State workers (see table 3).

c) *Employment*

Although official estimates of open unemployment were still unavailable, the figures supplied by governmental institutions in other periods during the 1980s and the persistence of a considerable gap in respect of previous levels of activity provide grounds for making the statement that unemployment continued to be one of the nation's most serious problems. Due to the scarcity of job opportunities and the armed conflict, the displacement of segments of the labour force within the country and the emigration of manpower to other countries continued to take place on a large scale.

Reconstruction work and the expansion of the informal sector appear to have offset the fall (attributable to the drought) in the demand for field labour during the harvesting period.

3. The external sector

a) *Overall trends*

After somewhat of an improvement in 1986, the external imbalance deepened again in 1987, mainly because of the marked drop in international coffee prices and the rise in import prices, which led to a sharp deterioration (-34%) in the terms of trade (see table 7). Thus, although the physical volume of exports recovered almost completely from its fall of the preceding year, the value of exports declined by 24%, while their unit value decreased by 31%. As for imports, their volume was down due to their higher prices (5%), the shortage of fresh foreign exchange and the regulation of domestic supplies. Finally, the flow of external credit underwent a drastic reduction. As a result, the country became more dependent on grants and donations, both from private sources—in the form of remittances from Salvadorans overseas—and from official sectors.

b) *Merchandise trade*

i) *Exports.* Overseas sales of goods fell sharply (by around 25%) as a result of the steep drop in traditional exports (-35%), especially coffee. The rest of the country's exports, on the other hand, rose substantially (see table 8).

The recovery (22%) in exports to the rest of the Central American countries was a promising development, after the cumulative drop of 50% recorded for the preceding three-year period. This rally was undoubtedly attributable in part to the signing of the Tala Agreement, whereby the governments of Guatemala, Honduras and El Salvador established broad facilities, including the use of national currencies, for the settlement of trade transactions among these countries.

Earnings from coffee exports shrank by almost US\$200 million, an amount equivalent to the present deficit on the current account of the balance of payments. This was due entirely to the fall in international coffee prices, since the exported volume rose considerably (15%), thanks to both an improved harvest and the sale of accumulated stocks. On the other hand, although the average price of sugar began to climb from the depressed levels to which it had fallen in 1985, exports diminished to one-half their former level owing to adverse trends stemming from longer-term phenomena, such as the successive cuts made in the Salvadoran export quota for the United States market and the sustained increase in domestic production costs that discouraged producers. Cotton sales to the external market fell to virtually nothing, thus marking the culmination of several years of very steep decreases. Shrimp was the only traditional export item that brought in additional income, but even this was solely because of the rise in the international price of this product.

ii) *Imports.* After two consecutive years of reductions, the value of external purchases of goods climbed by 4%, thus regaining its 1984 level. However, due to the sharp upswing in their unit value, the physical volume of imports sank by 1%.

The increases in the value of imports of consumer goods were substantial as a consequence of the large-scale purchases of foodstuffs that were made and the fact that the policy prohibiting imports of durable goods was made more flexible (see table 9).

Imports of both intermediate and capital goods remained stable, but the trends in their various components differed quite a bit. Fuel purchases rose sharply —due to the rise in international prices— and purchases of building materials and equipment also grew in response to the need to repair the damage caused by the earthquake in San Salvador. On the other hand, imports of most types of inputs for manufacturing declined markedly.

Imports from the rest of Central America increased significantly (11%), after having fallen by more than 43% in the preceding two-year period.

iii) *The terms of trade and the purchasing power of merchandise exports.* The steep downturn in the unit value of exports and the rise in the prices of imports prompted a drastic deterioration in the terms of trade (-32%) which completely negated the rally of the preceding year. The purchasing power of exports was one half that of 1980 and the lowest since then.

c) *Trade in services and factor payments*

The balance of real services, which had shown a slight deficit the year before, yielded a surplus of US\$55 million, most of which was attributable to governmental operations.

On the other hand, the deficit in factor services showed almost no variation, although it would have been larger if all the interest on the external debt had been paid. As has been the case since 1983, returns on foreign investments and purchases of technology continued to represent a significant outflow.

d) *The current account balance and its financing*

The deficit on current account, which had dropped considerably in 1986, escalated again, approaching US\$210 million, despite the delay in the payment of interest on the external debt and the increase in private grants and donations, particularly remittances by Salvadoran citizens residing abroad. The latter amounted to around US\$200 million and were equivalent to almost three-fifths of the value of coffee exports and to nearly 90% of sales of all other goods.

For the second year running, the inflow of official grants and donations, which rose by 58% to around US\$350 million, was greater than the deficit on current account and far surpassed the rest of capital receipts. Owing to the above, the decline in credit from traditional sources —as a result of which disbursements in the form of amortization payments exceeded credit inflows— went relatively unnoticed.

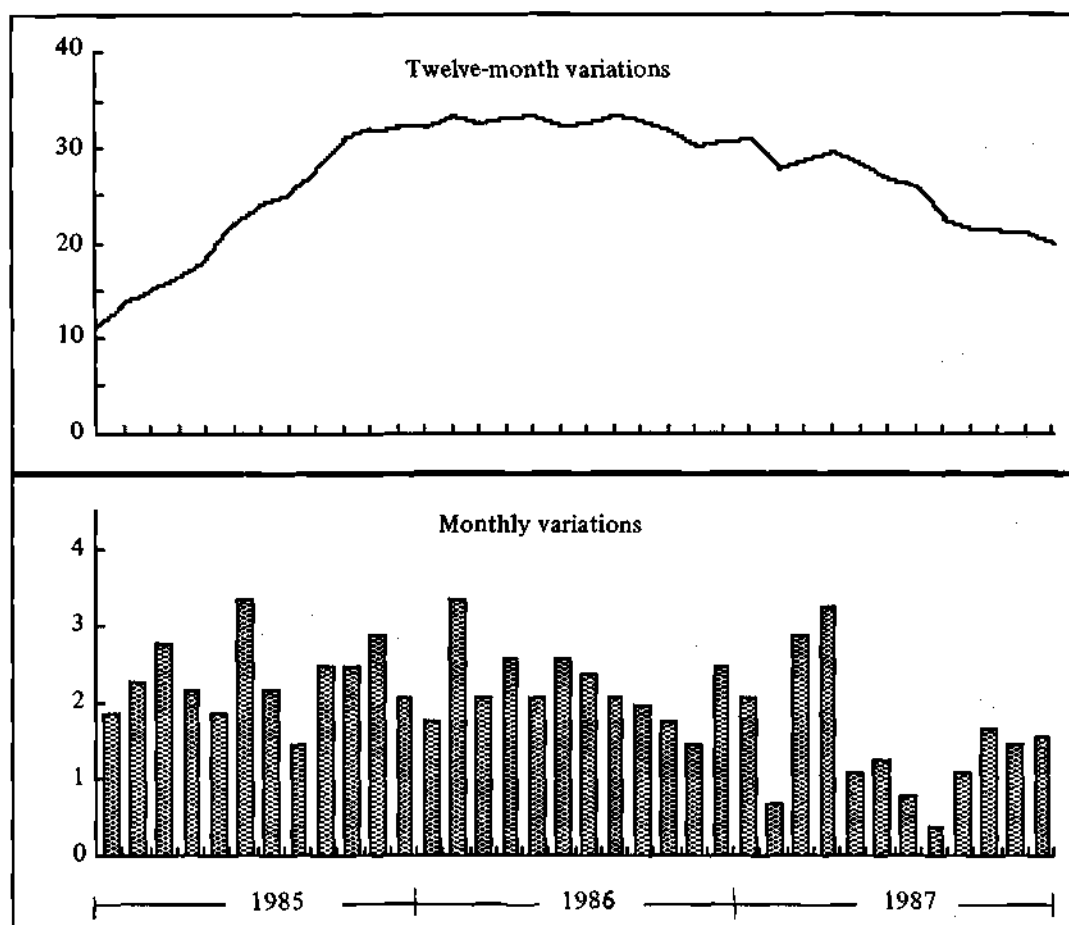
As has been happening since 1983, the level of net international reserves climbed, this time by US\$50 million, which brought them to about US\$300 million (the equivalent of approximately four months of imports of goods) (see table 10).

e) *External indebtedness*

The external debt shrank for the second consecutive year, falling to the lowest level since 1982 (see table 11). This was due to the progressive increase to be observed in the amount of external co-operation provided to the country in the form of grants and donations, which have come to constitute a relatively regular source of foreign exchange income. However, institutional difficulties stemming from the emigration of personnel or staff changes, the absence of projects, or even the lack of national counterpart funds prevented the disbursement of some monies.

The debt service/total exports coefficient diminished significantly, but the sharp fall in exports boosted the total external debt/exports coefficient. Although not all of the external debt service was paid, the country's debt servicing obligations continued to limit the possibility of allocating resources to cover unmet social needs.

Figure 2
EL SALVADOR: CONSUMER PRICE INDEX
 (Percentages)



Source: ECLAC, on the basis of official data.

4. Prices and wages

a) *Prices*

The 12-month variation in the consumer price index approached 20% in December, which was much less than the unprecedented rise registered in 1986, while the variation between annual averages dropped from 32% to 25%. Retail food prices grew slightly more than the average owing to the sharp rise in basic grain prices (rice, maize and beans) seen from March onward (see table 12 and figure 2).

The restrictive nature of the government's monetary policy helped to mitigate the strong inflationary expectations which had arisen the year before and which, fueled by rumours that another currency devaluation was imminent, continued until well into 1987. Several other factors, however, prevented a greater reduction in inflation from being achieved. Low water levels in the reservoirs, due to the drought, made it necessary at mid-year to raise electricity charges for three months in an effort to ration its use. Furthermore, during the last quarter the prices and rates charged for several public services—including, once again, electricity, in addition to water and port services—were raised as

part of the policy of holding down the level of current transfers by the central government to decentralized agencies and autonomous enterprises. Finally, the cutback in the subsidies granted by the central administration to the Food Regulation Institute caused the retail prices of some basic foods to climb.

b) *Wages*

Unlike other years, in 1987 no adjustments were made in minimum wages. Consequently, workers receiving a minimum wage and those whose remunerations are adjusted according to the trend in this wage lost one-fifth of their purchasing power on account of inflation.

The cumulative deterioration in the minimum wage since 1978 thus neared 50% in the case of the country's capital and surpassed that figure in the case of agricultural workers (see table 13).

5. Fiscal and monetary policies

a) *Fiscal policy*

In response to financial difficulties and the intensification of inflationary pressures, towards the end of 1986 the government had set very rigorous public finance objectives, the most outstanding of them being the reduction of the fiscal deficit, which had grown during the last months of that year due to the emergency expenditures made necessary by the devastating earthquake that hit San Salvador. The targets programmed for 1987 involved a series of gradual corrective measures in respect of both income and expenditure. However, these targets were not met, and the year ended with a rise in the central government deficit/gross domestic product ratio.

At the end of 1986, two initiatives were submitted to the legislative branch that were intended to offset the foreseeable decline in receipts from the coffee tax and to finance the country's growing expenditures on security and defence. These initiatives were the National Defence Tax Bill and a tax reform. The former sought to establish, on a one-time basis, a tax on wealth. Although this bill was enacted into a law, its categorical rejection by several sectors blocked its application, and it was finally declared unconstitutional in February 1987.

The above-mentioned tax package introduced a series of reforms in the taxes on income, wealth and consumption. However, its legislative approval also aroused strong opposition in some circles, led by the various entrepreneurial associations of the country. The authorities ultimately decided to make some modifications in the provisions that had been approved, and this delayed the implementation of the new plan.

Although the reforms provided that the direct and indirect taxes on consumption would be raised by an amount somewhat greater than the increase in prices, this proved to be totally insufficient for dealing with the drastic drop in coffee tax revenues. Thus, total current income declined by nearly 6% in nominal terms, and it therefore proved impossible to reach the goals that had been established by Treasury officials with a view to putting public finances on a sounder footing (see table 14).

The policy on expenditure involved the application of very stringent criteria as regards the use of resources. Although allocations for security and defence again represented a very large share of total spending, current expenditure grew by only 9%, which was less than inflation, while capital outlays, with the exception of real investment, were reduced in nominal terms. The decrease in transfers to other public agencies helped to improve the central government's financial situation. Finally, most of the deficit was again financed with credit from external sources, especially from the United States, although its relative significance declined somewhat. As for domestic financing, the Central Bank made a reappearance as a source of credit and the placement of domestic debt bonds backed by the Central Bank retained its importance.

b) *Monetary policy*

The authorities continued to apply a quite cautious monetary policy with a view to easing inflationary pressures. Indeed, some of the restrictive measures established the year before were strengthened in an effort to cope with the decrease in receipts from the tax on coffee exports. In

particular, it became necessary to abandon the policies which had placed priority on financial support for productive sectors. In keeping with the provisions of the monetary budget, the supply of credit contracted in real terms, since its rate of increase was much lower than inflation (see table 15).

The monetary base expanded by 25%, as international reserves climbed substantially. The Central Bank raised bank reserve requirements several times (they rose from 14% to 25% between January and July) with the object of regulating liquidity. Later, when the liquidity of the money market declined, these requirements were lowered somewhat, but they remained higher than they had been at the beginning of the year. The authorities' monetary control measures were successful, since the means of payment diminished by 1%.

Quasi-money increased by 12%, which was also less than inflation. This was partly due to the fact that interest rates on time deposits were negative in real terms.

Table 1

EL SALVADOR: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (1980 = 100)	91.6	86.4	86.9	88.9	90.4	90.8	93.2
Gross national income (1980 = 100)	90.0	84.9	83.0	83.3	85.4	90.3	87.5
Population (millions of inhabitants)	4.58	4.63	4.66	4.71	4.77	4.85	4.93
Per capita gross domestic product (1980 = 100)	90.5	84.6	84.4	85.5	85.9	84.9	85.6
Growth rates							
B. Short-run economic indicators							
Gross domestic product	-8.4	-5.6	0.6	2.3	1.8	0.4	2.6
Per capita gross domestic product	-9.5	-6.5	-0.2	1.4	0.5	-1.1	0.9
Gross national income	-10.0	-5.6	-2.1	0.4	2.5	5.8	-3.0
Unemployment rate ^{b,c}	21.2	27.4	32.2	32.9	33.0	...	...
Consumer prices							
December-December	11.6	13.4	14.8	9.8	31.9	30.2	19.6
Variation between annual averages	14.7	11.7	13.1	11.7	22.4	31.9	24.9
Real wages and salaries ^d	-7.3	-10.5	-11.6	0.4	-13.8	-13.2	-19.9
Money	-0.8	4.7	-1.5	17.3	26.9	21.1	-1.0
Current government income	6.4	0.6	13.3	22.4	23.7	50.9	-5.5
Total government expenditure	13.3	9.2	45.3	-1.3	4.8	45.0	5.5
Fiscal deficit/total government expenditure ^b	36.4	39.0	54.3	37.9	26.7	23.6	31.6
Fiscal deficit/gross domestic product	7.3	7.9	14.8	8.1	4.9	4.5	5.3
Current value of exports (goods and services)	-23.9	-11.0	6.2	2.3	1.4	13.2	-10.9
Current value of imports (goods and services)	-0.8	-10.4	1.9	8.7	2.7	-2.7	3.6
Terms of trade (goods and services)	-7.3	1.9	-10.3	-9.7	-0.3	17.8	-19.4
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-237	-218	-187	-260	-279	-127	-280
Net payments of profits and interest	-74	-105	-121	-101	-94	-127	-127
Balance on current account	-272	-271	-211	-243	-243	-80	-209
Balance on capital account	223	242	235	250	270	155	260
Variation in net international reserves	-43	-27	39	19	30	75	51
Total disbursed external debt	1 471	1 710	1 890	1 949	1 980	1 928	1 876

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cRefers to the number of openly unemployed and underemployed persons as a percentage of the economically active population^dReal minimum wages for workers in industry and services in San Salvador.

Table 2

EL SALVADOR: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	90.3	90.9	92.4	133.3	132.2	2.4	1.5	0.6	1.7
Gross domestic product at market prices	90.4	90.8	93.2	100.0	100.0	2.3	1.8	0.4	2.6
Imports of goods and services ^b	90.0	91.1	90.0	33.3	32.2	2.9	0.6	1.2	-1.1
Total demand	90.3	90.9	92.4	133.3	132.2	2.4	1.5	0.6	1.7
Domestic demand	91.5	92.3	92.8	98.7	98.2	0.9	2.1	0.9	0.5
Gross domestic investment	76.9	93.2	93.2	13.3	13.3	3.0	-5.6	21.3	-
Gross fixed investment	83.7	90.0	97.3	13.6	14.2	2.3	10.2	7.5	8.1
Construction	78.5	80.5	90.2	7.2	6.9	-4.9	3.8	2.5	12.0
Machinery	89.5	100.6	105.2	6.4	7.2	11.9	17.4	12.4	4.6
Public	47.9	40.5	43.1	7.1	3.3	-10.4	-8.1	-15.5	6.5
Private	123.3	144.7	157.1	6.4	10.9	11.2	20.5	17.4	8.6
Variation in stocks	383.2	-48.6	275.7	-0.3	-0.9				
Total consumption	93.8	92.2	92.7	85.5	84.9	0.6	3.2	-1.7	0.5
General government	116.5	120.9	121.5	14.0	18.2	4.8	6.8	3.7	0.5
Private	89.4	86.6	87.1	71.5	66.7	-0.4	2.4	-3.1	0.5
Exports of goods and services ^b	86.9	86.8	91.6	34.6	34.0	7.2	-0.4	-0.1	5.5

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^aPreliminary figures. ^bThe figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in dollars at current prices, which were converted to constant 1980 values using unit value indexes calculated by ECLAC for this purpose.

Table 3

**EL SALVADOR: GROSS DOMESTIC PRODUCT BY BRANCH OF
ECONOMIC ACTIVITY AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	90.4	90.8	93.2	100.0	100.0	2.3	1.8	0.4	2.6
Goods	87.7	86.9	90.0	46.4	44.8	2.0	0.8	-0.9	3.5
Agriculture ^b	88.3	85.6	87.7	27.8	26.2	3.3	-1.1	-3.1	2.5
Mining	97.3	100.0	112.8	0.1	0.2	2.6	-	2.8	12.8
Manufacturing	87.9	90.1	92.8	15.0	15.0	1.3	3.7	2.5	3.0
Construction	81.6	83.7	95.4	3.4	3.5	-5.7	4.6	2.6	13.9
Basic services	97.8	98.1	101.1	5.6	6.1	2.7	3.1	0.3	3.1
Electricity, gas and water	106.9	106.9	112.3	2.1	2.6	2.7	5.0	-	5.0
Transport, storage and communications	92.3	92.8	94.4	3.5	3.6	2.7	1.8	0.5	1.8
Other services	92.2	93.8	95.5	48.0	49.1	2.5	2.5	1.7	1.8
Commerce, restaurants and hotels	78.3	78.6	80.2	22.9	19.7	1.9	0.5	0.3	2.1
Financial institutions, insurance, real estate and business services	106.2	107.1	109.2	7.7	9.0	1.3	2.1	0.8	2.0
Ownership of dwellings	111.1	111.4	113.2	4.3	5.2	1.6	1.5	0.3	1.7
Community, social and personal services	104.2	107.8	109.4	17.4	20.4	3.6	4.8	3.4	1.5
Government services	120.4	125.8	127.1	10.3	14.0	5.0	7.0	4.5	1.0

Source: ECLAC, on the basis of official figures reweighted according to the current 1980 price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures. ^bIncludes stock-raising, forestry and fisheries.

Table 4

EL SALVADOR: INDICATORS OF AGRICULTURAL PRODUCTION

	1975	1980	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of agricultural production (1978 = 100)	95.4	104.6	86.2	84.9	86.6	2.0	-1.6	-1.5	2.0
Crop farming	97.3	107.4	87.2	84.2	...	0.7	-2.5	-3.4	...
Stock raising	90.0	88.3	80.7	89.3	...	12.0	4.0	10.6	...
Production of main crops^b									
For export									
Coffee	163	186	149	136	152	-3.4	-0.3	-8.7	11.8
Cotton	73	61	25	13	11	-22.8	-20.7	-48.0	-15.4
Sugar cane	3 166	2 564	3 455	3 647	3 269	12.8	1.6	5.6	-10.4
For domestic consumption									
Maize	440	528	495	437	578	19.0	-6.1	-11.7	32.3
Beans	38	39	34	50	24	15.4	-29.5	47.1	-52.0
Milled rice	39	39	46	26	23	46.5	8.8	-43.5	-11.5
Sorghum	172	138	133	133	26	14.1	-5.6	-	-80.5
Stock raising indicators									
Slaughtering									
Cattle ^c	187	185	140	150	152	0.7	-4.6	7.1	1.3
Pigs ^c	115	126	146	155	160	-9.7	-	6.2	3.2
Poultry ^b	...	14	27	29	30	10.5	28.6	7.4	3.4
Other products									
Milk ^d	253	331	311	311	325	32.2	13.1	-	4.5
Eggs ^e	588	818	880	891	934	0.6	-22.8	1.3	4.8

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador and the Ministry of Agriculture (MAG).

^aPreliminary figures. ^bThousands of tons. ^cThousands of head. ^dMillions of bottles. ^eMillions of units.

Table 5

EL SALVADOR: INDICATORS OF MANUFACTURING PRODUCTION

	1975	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of value added (1980 = 100)	98.6	84.8	87.9	90.1	92.8	1.3	3.7	2.5	3.0
Foodstuffs, beverages and tobacco	88.5	90.6	96.6	98.2	100.4	3.4	6.6	1.7	2.2
Textiles, clothing and leather products	118.9	63.3	58.1	61.1	61.7	-0.8	-8.2	5.2	0.9
Textiles	116.8	55.1	46.9	56.4	58.6	-4.0	-14.9	20.2	4.0
Clothing, footwear and other leather products	121.0	71.2	69.0	65.5	64.4	1.8	-3.1	-5.0	-1.7
Wood and paper	76.3	82.4	81.4	79.1	82.6	-8.1	-1.3	-2.8	4.4
Wood and wood products	69.4	114.8	117.7	124.6	132.0	-7.5	2.5	5.9	5.9
Paper and paper products	81.4	57.9	53.9	44.8	45.4	-9.1	-6.9	-16.9	1.3
Chemicals, petroleum products and rubber products	137.6	87.2	82.6	84.0	86.8	-1.1	-5.3	1.7	3.4
Chemicals	211.6	108.3	96.1	99.6	102.1	2.8	-11.2	3.6	2.5
Petroleum and rubber products	106.2	77.9	76.6	77.1	80.1	-3.4	-1.7	0.6	3.9
Non-metallic mineral products	97.6	80.6	84.6	89.0	102.3	-9.1	5.0	5.2	14.9
Machinery and metal products	118.6	67.5	72.7	80.8	82.9	3.1	7.7	11.2	2.6
Metal products	135.8	80.6	90.4	99.1	101.4	14.8	12.1	9.6	2.3
Machinery and equipment	110.6	61.4	64.5	72.4	74.4	-2.9	5.0	12.2	2.8
Other manufactures	154.4	68.7	63.2	74.1	76.4	10.1	-8.1	17.2	3.1
Other indicators of manufacturing production									
Consumption of electricity by industry ^b	410	484	499	503	556	0.4	3.1	0.8	10.5

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^a Preliminary figures. ^b Millions of kWh.

Table 6

EL SALVADOR: INDICATORS OF ELECTRICITY GENERATION AND CONSUMPTION

	Millions of kWh					Growth rates			
	1980	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Generation	1 540	1 671	1 784	1 757	1 897	4.4	6.7	-1.5	8.0
Total consumption	1 338	1 415	1 486	1 549	1 684	4.5	5.0	4.2	8.7
Residential	388	461	474	503	539	5.9	2.9	6.1	7.2
Commercial	174	182	195	213	231	-4.5	7.0	9.2	8.5
Industrial	557	484	499	503	556	0.4	3.1	0.8	10.5
Government and other	219	288	318	330	358	17.0	10.4	3.8	8.5

Source: ECLAC, on the basis of figures supplied by the Bureau of Energy and Mining Resources.

^a Preliminary figures.

Table 7

EL SALVADOR: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	-25.8	-11.8	4.5	-1.3	-6.5	11.2	-24.1
Volume	-23.7	-13.6	25.8	6.6	-2.4	-8.7	5.9
Unit value	-2.7	2.2	-17.0	-7.4	-4.2	21.9	-28.4
Imports FOB							
Value	0.2	-8.1	0.6	10.1	-2.1	-2.1	3.5
Volume	-5.8	-8.1	6.9	4.6	-2.7	3.1	-1.4
Unit value	6.3	-	-5.9	5.2	0.5	-5.0	5.0
Terms of trade	-8.7	1.9	-12.3	-12.7	-5.0	28.0	-31.8
Indexes (1980 = 100)							
Purchasing power of exports	69.6	61.3	67.6	62.9	58.4	68.2	49.2
Volume of exports	76.3	65.9	82.9	88.4	86.3	78.7	83.4
Volume of imports	94.2	86.6	92.6	96.8	94.2	97.1	95.8
Terms of trade	91.3	93.0	81.5	71.2	67.7	86.6	59.1

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 8

EL SALVADOR: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	695	755	573	100.0	100.0	100.0	-1.3	-6.5	8.6	-24.1
To Central America	96	91	111	27.6	27.5	19.4	-6.3	-39.1	-5.2	22.0
To rest of world	599	664	462	72.4	72.5	80.6	0.2	2.5	10.9	-30.4
Main traditional exports	520	586	382	66.6	71.2	66.7	0.5	0.9	12.7	-34.8
Coffee	458	539	347	33.7	60.9	60.6	-0.5	17.5	17.7	-35.6
Cotton	29	5	2	14.9	7.9	0.3	-83.7	218.7	-82.8	-60.0
Sugar	23	25	12	16.0	1.2	2.1	-35.4	-10.4	8.7	-52.0
Shrimp	10	17	21	2.0	1.2	3.7	37.3	-51.5	70.0	23.5
Main non-traditional exports	24	17	17	6.0	5.9	3.0	0.8	-33.0	-29.2	-
Perfumes, toiletries and cosmetics	7	3	3	1.6	1.4	0.5	20.4	-36.3	-57.1	-
Insecticides, fungicides and disinfectants	5	4	5	0.9	0.6	0.9	-8.7	8.5	-20.0	25.0
Cotton yarn and thread	9	7	5	0.9	1.0	0.9	7.4	-27.3	-22.2	28.6
Clothing	3	3	4	2.6	2.9	0.7	-20.8	-63.2	-	33.3
Other	151	152	174	27.4	22.9	30.3	-2.6	-21.2	0.7	14.5

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^aPreliminary figures.

Table 9

EL SALVADOR: IMPORTS OF GOODS, CIF

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	961	935	975	100.0	100.0	100.0	9.5	-1.7	-2.7	4.3
From Central America	217	161	178	22.9	33.3	18.3	9.0	-14.7	-25.8	10.6
From rest of world	744	774	797	77.1	66.7	81.7	9.7	2.9	4.0	3.0
Consumer goods	259	207	237	24.6	31.9	24.3	5.2	-6.4	-20.1	14.5
Durables	48	25	28	20.4	3.5	2.9	32.4	26.1	-47.9	12.0
Non-durables	211	182	209	4.2	28.4	21.4	1.8	-11.6	-13.7	14.8
Raw materials and intermediate goods	545	503	509	49.8	56.4	52.2	6.8	-4.2	-7.7	1.2
Petroleum and fuels	133	82	100	7.7	15.7	10.3	-3.7	2.5	-38.3	22.0
Construction materials	46	47	54	6.1	5.9	5.5	-1.6	-8.7	2.2	14.9
Fertilizers	40	25	27			2.8	-6.4	58.0	-37.5	8.0
Other	326	349	328	36.0	34.8	33.6	13.5	-10.2	7.1	-6.0
Capital goods	156	225	229	25.6	11.7	23.5	27.0	19.3	44.2	1.8
Manufacturing	43	59	71	9.3	4.7	7.3	13.0	1.6	37.2	20.3
Transport	68	124	106	7.8	3.5	10.9	54.3	27.2	82.4	-14.5
Agriculture	13	10	10	2.7	0.8	1.0	31.3	3.8	-23.1	-
Construction	6	6	9	2.9	1.3	0.9	-5.5	19.2	-	50.0
Other	27	26	33	2.9	1.4	3.4	9.8	48.9	-3.7	26.9

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^aPreliminary figures.

Table 10

EL SALVADOR: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-1	-272	-271	-211	-243	-243	-80	-209
Trade balance	45	-237	-218	-187	-260	-279	-127	-280
Exports of goods and services	1 215	924	822	873	894	906	1 025	913
Goods FOB	1 075	798	704	735	726	679	755	573
Real services ^b	140	126	118	138	168	227	270	340
Transport and insurance	25	20	23	30	44	58	60	67
Travel	13	14	20	24	30	43	35	47
Imports of goods and services	1 170	1 161	1 041	1 061	1 153	1 184	1 152	1 193
Goods FOB	897	898	826	831	915	895	876	907
Real services ^b	273	263	215	230	239	289	276	286
Transport and insurance	84	113	72	81	86	89	82	91
Travel	106	69	60	74	74	89	71	72
Factor services	-63	-74	-105	-121	-101	-94	-127	-127
Profits	-41	-40	-45	-36	-40	-32	-40	-40
Interest received	18	13	14	13	17	16	15	15
Interest paid	-72	-73	-98	-107	-110	-101	-127	-122
Other	31	26	24	10	32	23	25	20
Unrequited private transfer payments	17	39	52	97	118	129	174	198
Balance on capital account	-74	223	242	235	250	270	155	260
Unrequited official transfer payments	31	21	119	174	190	214	219	347
Long-term capital	174	185	189	317	74	99	-10	-67
Direct investment (net)	6	-6	-1	28	12	12	-	-
Portfolio investment (net)	-1	-	-1	-	-	-	-	-
Other long-term capital	169	191	191	289	62	87	-10	-67
Official sector ^c	167	191	185	283	72	88	64	30
Loans received	201	257	291	421	257	250	114	86
Amortization payments	-29	-62	-84	-137	-183	-154	-50	-56
Commercial banks ^c	3	-	-	-1	-1	-	1	-
Loans received	4	-	1	-	-	-	1	-
Amortization payments	-1	-	-1	-1	-1	-	-	-
Other sectors ^c	-1	-	6	6	-10	-1	-75	-97
Loans received	36	28	36	28	9	17	141	101
Amortization payments	-37	-28	-30	-22	-18	-18	-216	-198
Short-term capital (net)	38	76	-36	-215	28	-67	30	-4
Official sector	194	96	-65	-121	10	-10	...	...
Commercial banks	-67	-11	29	-33	-7	-48	...	...
Other sectors	-89	-10	-	-61	26	-8	...	...
Errors and omissions (net)	-317	-60	-30	-41	-42	23	-84	-16
Global balance ^d	-75	-49	-29	24	7	27	75	51
Total variation in reserves								
(- sign indicates an increase)	69	43	27	-39	-19	-30	-75	-51
Monetary gold	-	-	-	2	-	-	...	...
Special Drawing Rights	17	-	-2	2	-	-	...	...
IMF reserve position	11	-	-	-	-	-	...	...
Foreign exchange assets	34	6	-35	-53	-6	-14	...	...
Other assets	-	-	-	-	-	-	...	...
Use made of IMF credit	7	37	64	11	-13	-17	...	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*; April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Includes other non-factor services.

^c Includes net loans granted and other assets and liabilities.

^d Is equal to the total variation in reserves (of opposite sign), plus counterpart entries.

Table 11

EL SALVADOR: INDICATORS OF EXTERNAL INDEBTEDNESS

	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars						
Total external debt ^b	1 710	1 890	1 949	1 980	1 928	1 876
Balances						
By institutional sectors						
Public	1 517	1 706	1 763	1 805	1 782	1 739
Central Reserve Bank of El Salvador	701	711	678	615	528	431
Central government and autonomous institutions	816	995	1 085	1 190	1 254	1 308
Private	193	184	186	175	146	137
By term						
Medium- and long-term	1 443	1 743	1 805	1 866	1 849	1 804
Public	1 309	1 622	1 691	1 757	1 742	1 701
Private	134	121	114	109	107	103
Short-term	267	147	144	114	79	72
Public	208	84	72	-	40	39
Private	59	63	72	114	39	33
Disbursements	763	625	447	382	366	236
Public	755	607	437	382	364	228
Central Reserve Bank of El Salvador	571	404	308	229	250	136
Central government and autonomous institutions	184	203	129	153	114	92
Private	8	18	10	-	2	8
Servicing	641	542	488	453	501	384
Amortization payments	524 ^c	445 ^c	388	351	418	288
Interest payments	117	97	100	102	83	96
Percentages						
Total external debt/exports of goods and services	208.0	207.0	209.1	211.3	188.1	205.5
Servicing/exports of goods and services	78.0	59.4	52.4	48.3	48.9	42.1
Interest payments/exports of goods and services	14.2	10.6	10.7	10.9	8.1	10.5
Servicing/disbursements	84.0	86.7	109.2	118.6	136.9	162.7

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^aPreliminary figures.^bYear-end balances of disbursed debt.^cIncludes accounting movements and renegotiations.

Table 12

EL SALVADOR: DOMESTIC PRICES

	1980	1981	1982	1983	1984	1985	1986	1987
Indexes (yearly average)								
Consumer price index ^a	127.6	146.4	163.6	185.1	206.7	252.9	333.6	416.6
Food	130.3	153.3	169.6	192.3	219.5	261.0	344.0	431.3
Wholesale price index ^b	132.9	149.5	162.1	175.1	187.5	221.0	266.1 ^c	...
Imported products	133.2	144.0	161.3	169.8	178.5	220.5	266.6 ^c	...
Domestic products	136.7	161.8	173.8	192.0	205.0	222.4	272.9 ^c	...
Variation from December to December								
Consumer price index	18.6	11.6	13.4	14.8	9.8	31.9	30.2	19.6
Food	22.5	14.4	11.0	17.9	10.6	27.5	30.3	22.5
Wholesale price index	16.7	10.0	9.2	8.1	14.0	16.4	22.7 ^d	...
Imported products	12.1	7.3	12.7	3.4	14.0	23.5	23.9 ^d	...
Domestic products	24.0	14.8	7.6	12.2	7.1	9.2	26.2 ^d	...
Variation between annual averages								
Consumer price index	17.4	14.7	11.7	13.1	11.7	22.4	31.9	24.9
Food	19.7	17.7	10.6	13.4	14.1	18.9	31.8	25.4
Wholesale price index	18.3	12.5	8.4	8.0	7.1	17.9	25.0 ^e	...
Imported products	17.3	8.1	12.0	5.3	5.1	23.5	25.7 ^e	...
Domestic products	23.5	18.4	7.4	10.5	6.7	8.5	25.4 ^e	...

Source: ECLAC, on the basis of official figures.

^aBase December 1978 = 100.^bBase January 1978 = 100 (does not include coffee).^cUp to July.^dJuly-to-Julyvariations. ^eVariation between the January-June period and the same period of the preceding year.

Table 13

EL SALVADOR: WAGES

	Indexes (December 1978 = 100)						Growth rates					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Nominal minimum wages^a												
Agricultural workers	122.4	122.4	122.4	122.4	184.1	184.1	-	-	-	-	50.4	-
Harvesting												
Coffee	146.2	146.2	146.2	146.2	146.2	146.2	-	-	-	-	-	-
Sugar cane	209.1	209.1	209.1	209.1	209.1	209.1	-	-	-	-	-	-
Cotton	161.5	161.5	161.5	161.5	161.5	161.5	-	-	-	-	-	-
Seasonal crop-farming industries												
Coffee processing	200.0	200.0	200.0	200.0	200.0	200.0	-	-	-	-	-	-
Sugar refining	133.3	133.3	133.3	133.3	133.3	133.3	-	-	-	-	-	-
Cotton processing	128.0	128.0	128.0	128.0	128.0	128.0	-	-	-	-	-	-
Other activities in San Salvador												
Industry and services	157.1	157.1	176.2	185.7	212.5	212.5	-	-	12.2	5.4	14.4	-
Commerce	152.8	152.8	171.3	180.6	206.6	206.6	-	-	12.2	5.4	14.4	-
Real minimum wages^b												
Agricultural workers	74.8	66.1	59.2	48.4	55.2	44.2	-10.5	-11.6	-10.4	-18.2	14.0	-19.9
Harvesting												
Coffee	89.4	79.0	70.7	57.8	43.8	35.1	-10.5	-11.6	-10.5	-18.2	-24.2	-19.9
Sugar cane	127.8	113.0	101.2	82.7	62.7	50.2	-10.5	-11.6	-10.4	-18.3	-24.2	-19.9
Cotton	98.7	87.3	78.1	63.9	48.4	38.8	-10.5	-11.6	-10.5	-18.2	-24.3	-19.9
Seasonal crop-farming industries												
Coffee processing	122.2	108.0	96.8	79.1	60.0	48.0	-10.5	-11.6	-10.4	-18.3	-24.1	-20.0
Sugar refining	81.5	72.0	64.5	52.7	40.0	32.0	-10.5	-11.7	-10.4	-18.3	-24.1	-20.0
Cotton processing	78.2	69.2	61.9	50.6	38.4	30.7	-10.5	-11.5	-10.5	-18.3	-24.1	-20.0
Other activities in San Salvador												
Industry and services	96.0	84.9	85.2	73.4	63.7	51.0	-10.5	-11.6	0.4	-13.8	-13.2	-19.9
Commerce	93.4	82.5	82.9	71.4	61.9	49.6	-10.5	-11.7	0.5	-13.9	-13.3	-19.9

Source: ECLAC, on the basis of official figures.

^aCalculated on the basis of the average annual wage.^bDeflated by the consumer price index.

Table 14

EL SALVADOR: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of colones				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
1. Current income	1 546	1 913	2 887	2 728	13.3	22.4	23.7	50.9	-5.5
Tax revenue	1 351	1 660	2 581	2 476	13.4	25.1	22.9	55.5	-4.1
Direct	341	385	525	669	4.0	11.4	12.9	36.4	27.4
Indirect	1 010	1 275	2 056	1 807	17.6	30.5	26.2	61.3	-12.1
On foreign trade	373	533	1 168	692	-0.1	33.8	42.9	119.1	-40.8
Non-tax revenue	195	253	306	252	12.9	6.8	29.7	20.9	-17.6
2. Current expenditure	1 770	1 909	2 568	2 801	14.9	17.5	7.9	34.5	9.1
Wages and salaries	1 005	1 182	1 457	1 748	8.3	27.3	17.6	23.3	20.0
Purchase of goods and services	295	271	385	461	28.7	3.5	-8.1	42.1	19.7
Interest payments	165	172	260	251	120.9	-19.4	4.2	51.2	-3.5
Transfers and other payments	305	284	466	341	-15.4	34.1	-6.9	64.1	-26.8
3. Current savings (1 - 2)	-224	4	319	-73					
4. Capital expenditure	719	700	1 214	1 188	113.4	-24.0	-2.6	73.4	-2.1
Real investment	346	370	485	525	11.3	-12.2	6.9	31.1	8.2
Debt amortization	267	152	342	338	686.7	-56.1	-43.1	125.0	-1.2
Other capital expenditure ^b	106	178	387	325	14.1	35.0	67.9	117.4	-16.0
5. Total expenditure (2 + 4)	2 489	2 609	3 782	3 989	45.3	-1.3	4.8	45.0	5.5
6. Fiscal deficit (1 - 5)	-943	-696	-895	-1 261	90.7	-21.4	-26.2	28.6	40.9
7. Financing of deficit									
Domestic financing (net)	296	224	125	354					
Central Bank	147	215	-302	85					
Sale of securities	41	45	115	56					
Other	108	-36	312	213					
External financing	647	472	770	907					
Credit received	262	321	457	329					
Other	385	151	313	578					
Ratios (percentages)									
Current savings/capital expenditure	-31.2	0.6	26.4	-6.2					
Fiscal deficit/total expenditure	37.9	26.7	23.6	31.6					
Tax revenue/GDP	11.6	11.6	13.1	10.5					
Total expenditure/GDP	21.4	18.2	19.1	16.9					
Fiscal deficit/GDP	8.1	4.9	4.5	5.3					
Domestic financing/deficit	31.4	32.2	14.0	28.0					
External financing/deficit	68.6	67.8	86.0	72.0					

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and the Central Reserve Bank of El Salvador.

^aPreliminary figures.^bIncludes capital transfers, net loans granted and net stock acquisitions.

Table 15

EL SALVADOR: MONETARY INDICATORS

	Year-end balances (millions of colones)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base ^b	1 629	1 993	2 004	2 500	14.2	22.3	0.6	24.8
Money (M ₁)	1 699	2 156	2 611	2 584	17.3	26.9	21.1	-1.0
Quasi-money	2 496	3 208	4 348	4 873	24.6	28.5	35.5	12.1
Money plus quasi-money (M ₂)	4 195	5 364	6 959	7 458	21.6	27.9	29.7	7.2
Domestic credit	5 856	7 025	7 792	8 448	12.1	20.0	10.9	8.4
To the public sector	2 534	2 832	2 684	2 919	14.9	11.8	-5.2	8.8
Central government (net)	1 614	1 821	1 634	1 771	17.6	12.8	-10.3	8.4
Public institutions	920	1 011	1 050	1 148	10.6	9.9	3.9	9.3
To the private sector	3 322	4 193	5 108	5 528	10.1	26.2	21.8	8.2
Coefficients^c								
Monetary multipliers								
M ₁ /monetary base	1.01	1.06	1.01	0.98				
M ₂ /monetary base	2.67	2.88	2.95	2.95				
Velocity of circulation:								
GDP/M ₁	6.86	6.65	7.54	9.89				

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of El Salvador.

^aPreliminary figures. ^bIncludes currency plus deposits made by commercial and mortgage banks in the Central Reserve Bank. ^cCalculated on the basis of annual averages.

GUATEMALA

1. Recent economic trends: Introduction and summary

The Short-Term Economic and Social Reorganization Plan which had been launched in mid-1986 with a view to correcting basic imbalances in the economy, remained in effect throughout 1987. The main progress achieved in this connection was the reduction of inflation and a slight upturn in economic activity after several years of contraction. The external sector, however, once again turned in a poor performance; the net capital inflow obtained through greater borrowing was not sufficient to offset the deficit on current account, and reserves thus continued to diminish (see table 1 and figure 1).

The fiscal deficit remained at the same level as in the three preceding years, i.e., around 2% of the product. Most of the deficit was financed through borrowing, however, and the public sector's dealings with the monetary authority had a contractive effect for the second consecutive year. This, combined with the stabilization of the exchange rate (although some exchange losses were registered), slowed down the rate of increase in domestic prices, which rose by just 10% after two years of what were, for the Guatemalan economy, very high figures.

The gross domestic product grew by a little less than 3%, a rate which, although low, was the highest of the decade. Nevertheless, the per capita product continued to decline, and in 1987 it was thus 20% lower than it had been in 1980. All branches of economic activity expanded, especially construction, which registered a 7% increase.

Fixed investment and exports showed considerable growth (10% and 16%, respectively), while consumption increased by a smaller amount (4%). A significant factor in all these growth trends was the fact that economic agents had more favourable expectations owing to the improvement in the political situation in the subregion and the greater penetration of Guatemalan exports in the subregional market. In spite of the large increase in the volume of exports, the trade balance, after having yielded a surplus of US\$130 million in 1986, showed a deficit of almost US\$370 million in 1987. This was due both to the extraordinary growth of imports of goods and services and to the sharp drop in the international price of coffee. The significant increase in incoming transfers, which amounted to nearly US\$200 million, together with a capital inflow of almost US\$300 million, provided the financing for most of the trade deficit and of the country's external factor payments so international reserves were drawn down by only US\$70 million.

The external debt continued to grow and by the end of the year represented almost two and one-half times the value of exports of goods and services. The refinancing obtained during the year permitted a reduction in debt service, but it was still more than one-third of the value of exports.

The authorities' exchange policy continued along the lines established in mid-1986, when a three-tiered market had been created. At the official exchange rate, the quetzal continued to be quoted at par with the dollar; the operations carried out at this rate, which was used only for paying the public sector's external debt, involved an exchange deficit, since transactions were conducted at 2.5 quetzals per dollar in the regulated segment of the exchange market and at an even higher rate in the unregulated segment. In the fourth quarter, the open-market quotation approached that of the regulated market.

Three-quarters of the central government's deficit was financed with domestic credit, mainly through greater borrowing from the private sector, since bank credit to the public sector fell by about 20%. This permitted a moderate expansion of the money supply (12%) which was substantially less than the increases of the two preceding years (18% in 1986 and 56% in 1985).

The incipient recovery of economic activity prompted a decline of almost two percentage points in the unemployment rate, but it was still close to 13% and thus much higher than it had been at the

Figure 1
GUATEMALA: MAIN ECONOMIC INDICATORS

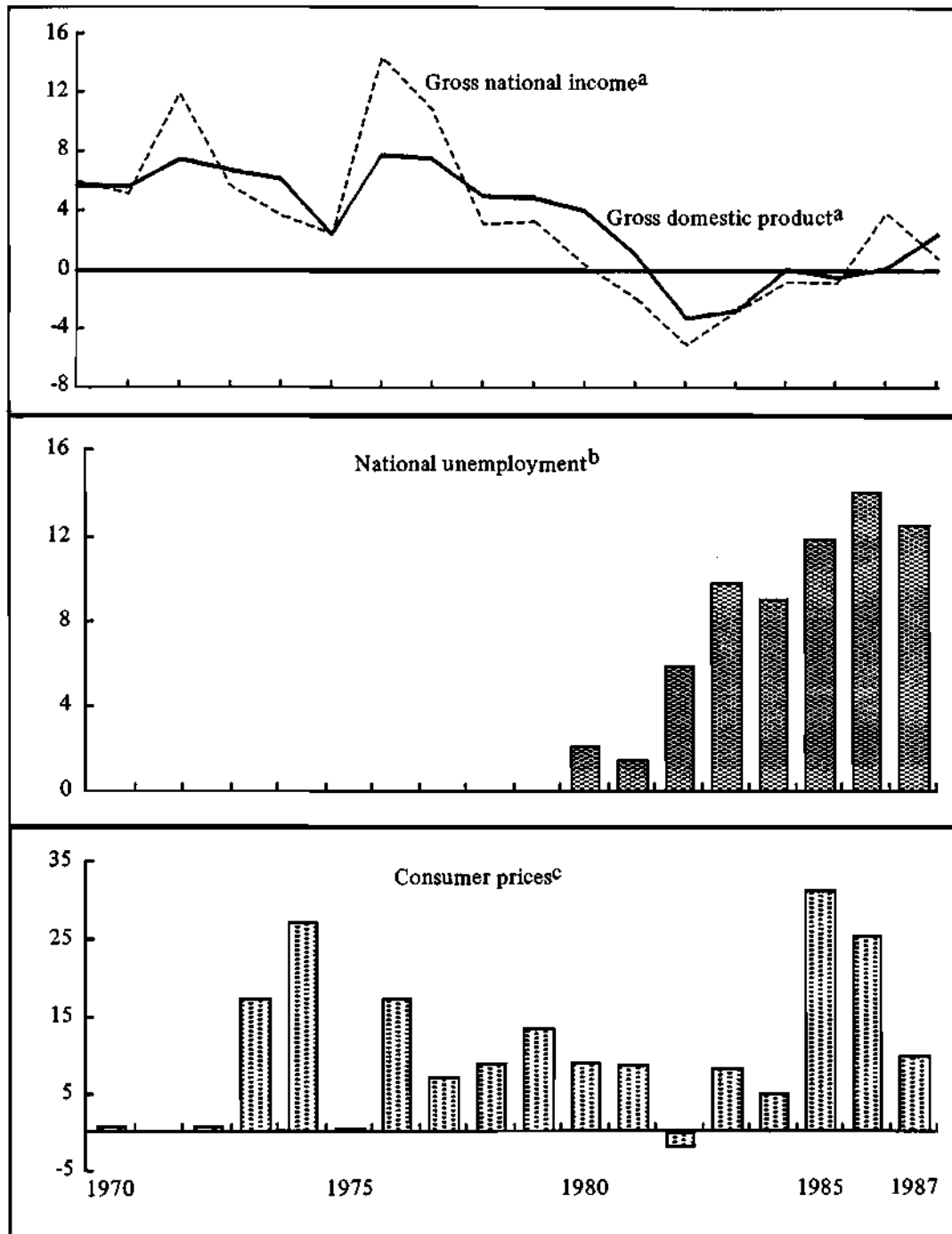
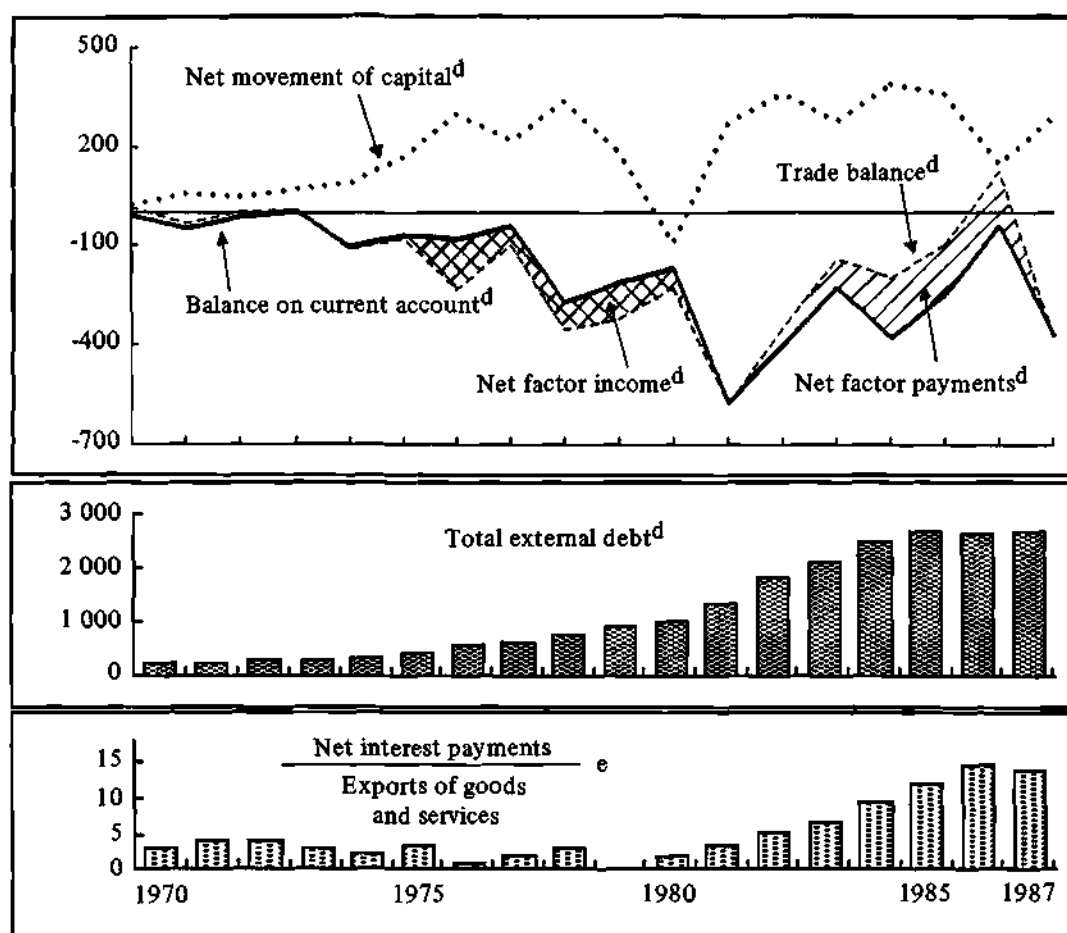


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage annual rate for the whole country. Official estimates.

^cPercentage variation from December to December.

^dMillions of dollars.

^ePercentages.

beginning of the decade. The concurrent increase in real wages led to the first increase in total wage income since 1982; even so, its 1987 level was more than 20% below that of 1982.

Towards the end of the year some steps were taken to reduce the public-sector deficit. Power rates were raised by 40% and the tax system was modified in such a way as to broaden the tax base and make it more elastic and progressive. The tax burden was still light, however, since in 1987 tax receipts amounted to only eight percentage points of the product. Moreover, during the last two months of the year an increase was seen in the rate of inflation.

2. Trends in economic activity

a) Total supply and demand

Economic activity grew by somewhat less than 3% after several years of stagnation. Nonetheless, the per capita product continued to fall, remaining far below its 1980 level.

Imports increased by 36% after two years of considerable decreases, and therefore, even though they were still one-third less than in 1980, represented a larger proportion of the product (20%) (see table 2).

For the first time in five years, all the components of demand showed positive trends. A significant accumulation effort was made; after the sharp contraction seen in this variable over the past four years, gross fixed investment climbed by 10%, but it was nonetheless one-third lower than in 1980. The upswing in private investment reflected a change in the expectations of entrepreneurs, who stepped up both their purchases of imported capital goods and the construction of industrial and commercial buildings.

Exports of goods and services, measured at constant prices, were another growth factor inasmuch as, after having fallen by 13% in 1986, they showed a 16% increase, thanks mainly to sales of such traditional products as coffee, cotton, bananas, cardamom and meat, and particularly to exports to Central America, which rose —after several years of contraction— owing to the improvement in the subregional political situation.

Although the expansion of private consumption was slight in per capita terms and the level of consumption was similar to that of 1976, this increase nevertheless represented a reversal of the downward trend of recent years. The rise in average real wages, the higher level of employment, and the increase in economic activity were the main factors behind this expansion. Nonetheless, it is estimated that the population living in a state of critical poverty increased in size.

b) *Trends in the main sectors*

Domestic supply showed an increase which, although small, was notable in a decade of stagnation and even contraction. This rise was observed in all sectors and especially in electricity, construction, and government services (see table 3).

i) *Agriculture.* Agriculture expanded moderately even though the value added by this sector remained below the level registered at the beginning of the decade. An improvement was seen in the output of the main export crops, such as coffee, bananas, and sugar cane, as well as in the harvests of basic grains, with the exception of beans, which suffered from the drought in the eastern part of the country, where most of this crop is grown (see table 4).

The output of coffee, the main export crop, increased by 4% as a result of both the harvesting of a larger area of land and an improvement in yields thanks to replanting and rust-control programmes. The international price of coffee dropped by more than 30% in 1987, however, and this cancelled out the favourable effects of the increase in production.

The growing of cotton has diminished considerably during the 1980s; in 1987 production fell by 16%, bringing output down to a level similar to that of 1962. This was due to an even greater reduction in the cultivated area (from 164 000 *manzanas* in 1980, it dropped to 45 000 *manzanas* in 1987) that was partially offset by higher yields, which have been gradually rising since 1984 thanks to the introduction of some technological improvements. The weakening of this sector also created labour problems, since cotton requires more manpower than other crops.

The sugar-cane harvest recovered slightly owing to a slight improvement in the international price and an increase in the support price for sugar cane destined for domestic consumption. In order to utilize some of the idle installed capacity for processing this product, various related industries were encouraged, such as the production of fuel alcohol and paper or the processing of animal feed. In the southern part of the country a fuel alcohol plant is now in operation which exports to the United States.

An expansion was seen in the production of basic grains, particularly rice (60%) which had an exceptional harvest. The bean crop, however, was so severely affected by the drought in the eastern zone of the country that it even became necessary to import some shipments of this staple.

Livestock and poultry-raising activities registered increases, while the dairy industry continued to have serious difficulties in competing with low-priced imported powdered milk.

ii) *Mining and hydrocarbons.* The proportion of the total product accounted for by mining and hydrocarbons remained small. The sector failed to maintain the dynamism it had exhibited in 1986 as its output of petroleum, which is the major item produced by this branch of activity and which had grown by 69% in 1986, dropped by 26% in 1987. The decrease in petroleum production was due to the depletion of some wells, such as the Rubén Santo, Chinajá Oeste and Caribe wells, which have not yet been replaced by new ones. The production of minerals showed significant growth for the second

consecutive year (20% in 1986 and 58% in 1987), part of which was due to the operations of small mines in the highlands which extract non-metallic minerals such as dolomite, pumice stone, marble and gypsum (see table 5).

iii) *Manufacturing.* Manufacturing continued to expand at a slow pace. The fastest-growing activities were the glass, non-metallic mineral, chemical and chemical products and metal products industries (see table 6). The demand for manufactured goods increased both in the domestic market and abroad, especially for exports to Central America. According to a recent business opinion poll, a considerable amount of installed industrial capacity continued to be underutilized (see table 7).

iv) *Construction.* This activity expanded for the second consecutive year, following a severe contraction during the first half of the decade. Consequently, even though construction grew by 7% in 1987, it was still below its 1980 level. An increase was seen in private construction of commercial and industrial buildings, but private residential construction was stagnant. The recovery of this sector was reflected in higher employment; indeed, in some periods there was even a shortage of skilled mason's (see table 8).

v) *Electricity, gas and water.* The sharp upward trend in this sector continued in 1987 with a 14% increase that was attributable to the greater demand generated by productive sectors, especially commerce and industry, and to a rise in household consumption (see table 3).

Hydroelectric plants accounted for most of the power that was generated, especially after the start-up of the Chixoy hydroelectric plant. As a result of the drought during the second half of the year, however, reservoir levels were considerably lower and in order to continue meeting the demand, the National Electricity Institute (INDE) had to use higher-cost thermal plants to provide some of the power that would otherwise have been generated by Chixoy.

c) *Employment*

According to the number of workers registered with the Guatemalan Social Security Institute, open unemployment went down from 14.2% in 1986 to 12.6% in 1987, although underemployment remained at almost 32%. Although the available data are not broken down by sectors, some indicators suggest that employment increased in construction, industry and commerce (see table 9).

Unemployment and underemployment have always been particularly severe in urban zones and especially in the metropolitan area, and this has caused the informal economy to expand. In rural areas, employment problems have been aggravated by the decline seen in some labour-intensive agricultural export products, such as cotton.¹ The reduction which has been taking place for several years now, in the area sown with cotton, or the changeover of part of this land to other crops, partially accounts for the percentage of idle manpower in the cotton-growing zone and surrounding areas.

3. The external sector

The external sector exerted a negative influence on the country's economic activity. The export price index decreased sharply, and difficulties were encountered in selling some types of products due to administrative rules or limits imposed by the importing countries, especially the United States, or restrictions deriving from the quota system. The external debt service, for its part, significantly affected the availability of foreign exchange. As a result of all this, the terms of trade deteriorated considerably, a large trade deficit reappeared, international reserves went down, and some arrears accumulated in respect of external debt service payments (see tables 1 and 10).

a) *Merchandise trade*

After having yielded a large surplus the year before, merchandise trade registered a deficit of almost US\$270 million, thereby turning in a performance similar to that of the rest of the 1980s. The results with respect to the main export products varied considerably. The value of coffee sales

¹ According to estimates by the Cotton Producers Association, the labour requirements of a *manzana* sown with cotton are between 79 and 116 man/days, whereas those of an equal amount of land sown with soya or sorghum are 1.9 man/days, on average.

contracted by 30% due to the drop in international prices. In a departure from its trend in the preceding years, the world market price of cotton rose slightly, but production continued to decline. The increase in the value of sugar sales was due to an improvement in the international price, since the volume of these sales decreased considerably (16%) as a consequence of the reduction in the import quota of the United States. Banana exports grew by 1%, but their price remained stagnant. External sales of meat, although small, increased steeply both in value and in volume after five years of continuous decline, with beef exports to the United States accounting for a large part of the sales in this category. As a result of an exchange rate advantage in respect of one neighbouring country (Honduras) and production and supply problems in another (El Salvador), illegal trade expanded.

Although in recent years cardamom had begun to be an important export item, particularly adverse conditions on international markets in 1987 caused the value of these sales to drop again, even though there was an increase in the volume exported.

Petroleum exports fell sharply because of the production problems discussed earlier. The category "other non-traditional exports" (which includes knitted articles, clothing, vegetables and pulses, wood and wood manufactures, and other agricultural products such as sesame seed and cocoa) showed a notable upswing after having remained stagnant in earlier years. This was the result of the promotion and diversification efforts carried out in recent years and of these products' greater competitiveness owing to the consolidation of exchange rates.

The value of exports to the Central American Common Market climbed (13%) for the first time in the 1980s thanks to an increase in their volume which was, in turn, a result of the fact that the country maintained a competitive real exchange rate with the other countries of the subregion and of the relaxation of political tension (see table 11).

Imports of goods showed an exceptional expansion. The greater availability of bank credit and expectations of exchange rate and tax modifications may have had a great deal to do with this jump in imports. With the exception of fuels and lubricants, which were down slightly, the rates of increase in the value of all the components of this category were very high, ranging between 36% for consumer goods and 76% for capital goods.

The expansion of imports of capital goods was mainly the result of private investment. These types of products represented 23% of total purchases in 1987, which was the highest percentage to be recorded since 1975. Another noteworthy development was that, after five years of steady declines, a sharp turnaround was seen in the trend in imports of building materials owing to the rapid growth of construction.

b) *Trade in services and factor payments*

The trade balance in real services showed an even larger deficit than usual. Although exports of services increased by almost 30% in value, the growth of merchandise imports boosted purchases of related services, and imports of the latter were thus more than 50% higher than in 1986.

The deficit on the factor services account decreased, but some interest payments on the external debt were in arrears. Lastly, a striking increase was registered in unrequited transfers (US\$191 million), which had not reached such a high figure since 1976. These transfers included receipts of both cash and in-kind grants and donations (US\$172 million) and family remittances (US\$19 million).

c) *The deficit and its financing*

Net external financing amounted to US\$292 million, which was not enough to cover the deficit on current account. The total balance was therefore negative and monetary reserves consequently fell by US\$74 million (see table 13). Private-sector income, particularly from direct investment, played an important part in long-term capital transactions; some capital repatriation operations were also reported to have been carried out.

The marked rise in imports which was registered during the year was largely financed by the domestic and external commercial banking system, and the private sector's degree of short-term indebtedness therefore increased. The negotiations being carried out with the International Monetary Fund and the World Bank were not completed.

d) *Exchange policy*

One of the most outstanding components of the Short-Term Economic and Social Reorganization Plan was the reduction in the number of exchange rates. This was regarded as being an important step towards re-establishing macrofinancial balances, since the previous plethora of exchange rates had had a particularly serious effect on monetary and external variables. Three different markets were thus established: the official rate, of one quetzal to the dollar, which applied only to interest payments on loans disbursed before 5 June 1986; the regulated rate of 2.5 quetzals per dollar, which was to be used for all commercial operations; and, for all other transactions, the bank rate, which in 1987 fluctuated between 2.51 in June and 2.86 in September and followed a downward trend in the last quarter (see tables 14 and 15).

Efforts to stabilize the exchange rate were successful in 1987, and this was a particularly influential factor in the slowdown of inflation. Although the Central Bank continued to register exchange rate losses, they were smaller and it was therefore possible to hold down monetary issues.

e) *The external debt*

The external debt/exports ratio quadrupled between 1980 and 1987. Liabilities incurred at the beginning of the decade and falling due in 1987-1988 were partly renegotiated on easier terms.

In 1987, the total external debt amounted to US\$2.718 billion, which represented a rise of 2%. This was due to an increase in the private-sector debt associated with the commercial operations which financed part of the country's imports, since the public or government-guaranteed debt contracted slightly.

From 1983 to 1985 the Bank of Guatemala took out short-term loans in order to maintain a normal flow of external operations at a time when the quetzal was seriously overvalued. This led to an appreciable deterioration in the external debt profile in terms of both repayment periods and costs, and in the last two years the Bank's external indebtedness has decreased only slightly. The amount of external funds received by the rest of the public sector, especially from multilateral and bilateral sources, has continued to be somewhat greater than the payments made by this sector.

The scarcity of foreign exchange led to an accumulation of arrears, and the debt service/exports ratio fell to 35% (see table 16).

4. Prices and wages

The 1987 cost-of-living index showed an average rise of 12%. This was a significant achievement in comparison to 1986, when it had gone up by 37%. Towards the end of the year, however, the rate of increase accelerated. Food prices continued to climb more quickly than the other components of the index (see table 17 and figure 2). Generally speaking, monetary and exchange policies were conducive to a re-establishment of financial equilibrium, as the exchange rate was stabilized, even though the Central Bank once again incurred exchange losses, and the creation of money occurred at a slower pace. The decrease in the rate of inflation and of the wage increases granted by the public and private sectors led to an upturn in average real wages and in total wage income after several years of significant drops (see table 18).

5. Fiscal and monetary policy

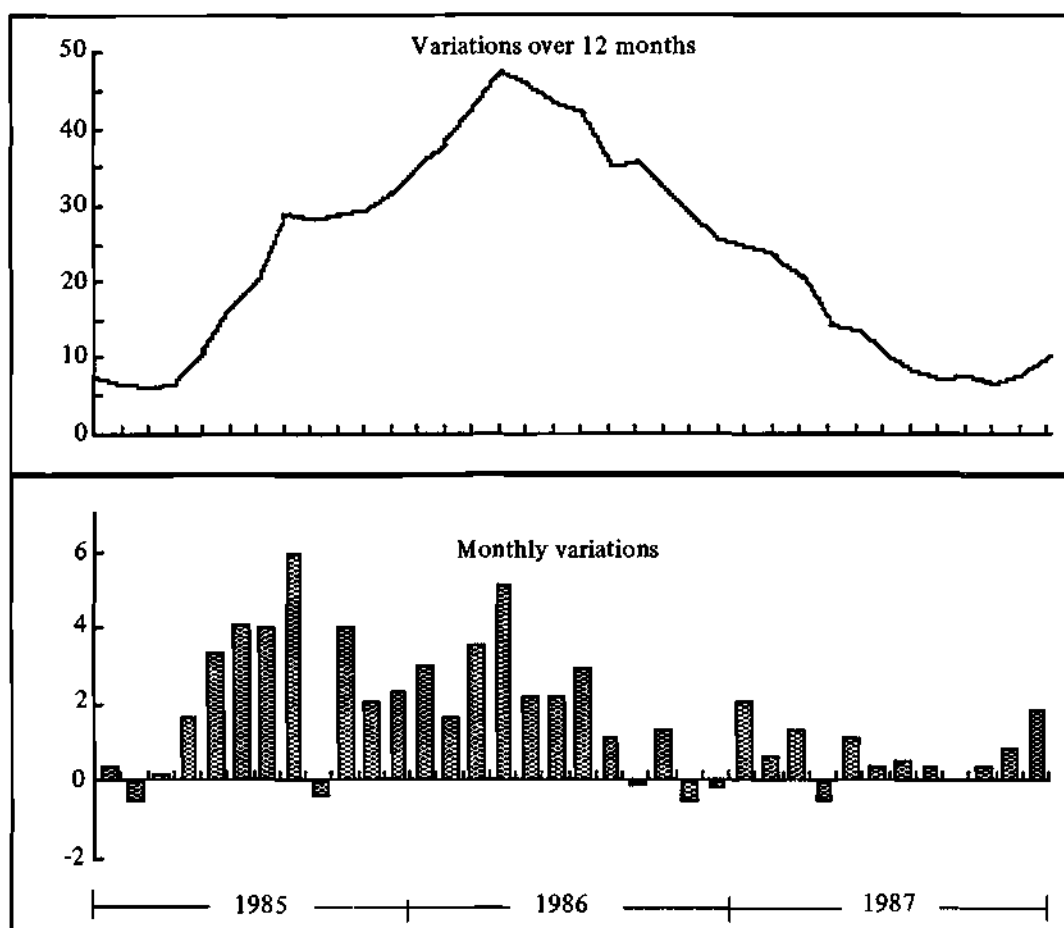
a) *Fiscal policy*

Fiscal policy continued to be directed towards achieving financial equilibrium in keeping with the objective set forth in this regard in the Short-Term Economic and Social Reorganization Plan. Nevertheless, the central government's deficit, when measured as a percentage of the product, remained at the same level as in the preceding two years; most of this deficit, however, was financed through borrowing, mainly from domestic non-banking sources (see table 19).

Central government income and expenditure grew less than they had the year before. Current income rose by 3% in real terms as against 18% the preceding year, while total expenditures increased by 1% as compared with 16% in 1986. The exceptional increase in income in 1986 had basically been due to a temporary and decreasing tax on windfall earnings from exports. In 1987 income from this source continued to increase, but more slowly.

Tax revenue was 27% higher than in 1986. This represented an increase in the population's light tax burden, which, even so, was equivalent to only 8% of the product. Direct taxes rose the most rapidly and, within this category, income tax produced the greatest amount of revenue, largely as a result of an improvement in tax administration. Among indirect taxes, the most revenue came from customs duties, the value added tax, and taxes on international telephone service. Non-tax revenue fell by 27% due to the fact that the rise in international oil prices permitted the government to reduce the share it receives for payment into a petroleum-based fuels compensatory fund. In September the executive branch proposed a fiscal readjustment whose purpose was basically to streamline the tax structure and improve the Treasury's administrative controls. These modifications applied to the laws governing the income tax, the value added tax, the consolidated tax on real estate, the poultry-raising promotion tax, the vehicle registration tax and the Central American export tariff. It is

Figure 2
GUATEMALA: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

important to point out that this reform was also designed to increase tax revenues to 8.5% of the product, and that the tax burden in Guatemala can therefore be expected to remain low. Even so, the groups affected by this change, and above all the business sector, were displeased with the increase. The new package of tax measures had little effect in 1987, since it was applied only during the last two months of the year.

Current expenditure increased by 17% in nominal terms, principally as a result of the wage adjustments granted in the public sector. The national government made larger transfers to the municipalities, which were used for labour-intensive projects such as sewerage works and street paving. Capital expenditure rose by only 1% which meant that it once again declined in real terms.

Finally, 76% of the fiscal deficit was covered with funds obtained from domestic sources, including, in particular, issues of stabilization bonds, in order to prevent its monetization. External financing, which totalled 25 million quetzals, decreased with respect to 1986, while grants and donations amounted to US\$196 million. Of this sum, US\$110 million came from the United States Agency for International Development.

b) *Monetary policy*

In 1987 the target that had been set in regard to monetary expansion was achieved, whereas the level established for the sale of credit to the private sector was exceeded to some extent. The monetary policy applied throughout the year was successful in bringing about a sharp reduction in the growth of the monetary base, which thus expanded by only 1% in nominal terms, after having almost doubled over the preceding two years. The money supply, in its turn, increased by 12%, which was the projected maximum. This, too, represented a significant slowdown with respect to its previous growth rate. Lastly, the trend in the broadest monetary aggregate was positive in real terms, since quasi-money increased more rapidly than domestic prices (see table 20).

The contraction in net public-sector credit, which stemmed from the fact that the level of indebtedness exceeded that of the deficit, permitted a real increase in the amount of credit provided to the private sector after several years of reductions. Thus, the credit received by the private sector represented 70% of the total in 1987, whereas it had been only slightly more than half two years earlier.

Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (index: 1980 = 100)	101.0	97.6	94.9	95.0	94.4	94.5	96.9
Gross national income (index: 1980 = 100)	98.0	92.9	90.2	89.4	88.6	92.0	92.7
Population (thousands of inhabitants)	7 113	7 315	7 524	7 740	7 963	8 195	8 434
Per capita gross domestic product (index: 1980 = 100)	98.2	92.3	87.3	84.9	82.0	79.8	79.5
Growth rates							
B. Short-run economic indicators							
Gross domestic product	1.0	-3.3	-2.7	0.1	-0.6	0.2	2.5
Per capita gross domestic product	-1.8	-6.0	-5.4	-2.7	-3.3	-2.6	-0.4
Gross national income	-2.0	-5.1	-2.8	-0.8	-0.9	3.9	0.8
Unemployment rate ^b	1.5	6.0	9.9	9.1	12.0	14.2	12.6
Consumer prices							
December to December	8.7	-2.0	8.4	5.2	31.5	25.7	10.1
Variation between annual averages	11.4	0.2	4.7	0.9	18.5	37.2	12.3
Real wages and salaries	17.6	6.0	1.2	-9.0	-13.6	-18.3	6.8
Money	4.1	1.5	5.2	7.5	56.3	18.1	11.8
Current income of government	-0.8	-1.5	-1.5	-10.1	29.9	62.5	16.0
Total expenditure of government	...	...	-9.1	-0.9	4.0	59.4	13.8
Fiscal deficit/total expenditure of government ^b	...	36.1	28.6	35.3	19.2	17.6	16.0
Fiscal deficit/gross domestic product ^b	...	4.7	3.3	3.9	1.8	1.9	1.8
Current value of exports of goods and services	-16.4	-11.6	-8.3	4.8	-5.5	0.8	-4.2
Current value of imports of goods and services	3.3	-19.7	-19.2	8.6	-12.0	-16.9	42.8
Terms of trade (goods and services)	-11.7	-6.9	1.4	2.7	-3.9	24.1	-21.1
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-578	-348	-142	-199	-96	126	-369
Net payments of profits and interest	-86	-114	-113	-207	-170	-212	-188
Balance on current account	-574	-400	-225	-378	-247	-36	-366
Balance on capital account	273	361	276	389	358	147	292
Variation in net international reserves	-305	-16	64	27	-102	-270	-74
Total external debt	1 385	1 841	2 149	2 505	2 695	2 668	2 718

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bPercentages.

Table 2

GUATEMALA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	88.2	86.9	92.9	125.1	120.0	1.2	-2.1	-1.5	6.9
Gross domestic product at market prices	94.4	94.5	96.9	100.0	100.0	-	-0.6	0.2	2.5
Imports of goods and services ^b	63.8	56.7	77.3	25.1	20.0	8.2	-10.5	-11.3	36.4
Total demand	88.2	86.9	92.9	125.1	120.0	1.2	-2.1	-1.5	6.9
Domestic demand	89.8	90.5	95.4	102.9	101.3	1.2	-2.5	0.8	5.4
Gross domestic investment	66.4	65.5	77.7	15.9	12.7	6.1	-19.2	-1.4	18.6
Gross fixed investment	59.1	59.7	65.5	16.4	11.1	-9.0	-6.3	1.0	9.8
Construction	52.7	54.3	58.2	7.5	4.5	-22.1	-10.5	2.9	7.3
Machinery	64.3	64.1	71.5	9.0	6.6	3.9	-3.2	-0.3	11.5
Variation in stocks	152.3	-108.6	285.3	-0.6	1.6				
Total consumption	94.1	95.1	98.6	87.0	88.6	0.4	0.1	1.1	3.7
General government	103.6	108.8	116.3	7.9	9.5	2.7	-2.3	5.0	6.9
Private	93.1	93.7	96.8	79.1	79.0	0.2	0.4	0.6	3.3
Exports of goods and services ^b	81.1	70.4	81.7	22.2	18.7	1.6	-	-13.2	16.0

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bThe figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in current dollars, which were then converted to constant 1980 values by means of unit value indexes calculated by ECLAC for the purpose.

Table 3

**GUATEMALA: GROSS DOMESTIC PRODUCT, BY KIND
OF ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	94.4	94.5	96.9	100.0	100.0	-	-0.6	0.2	2.5
Goods	90.2	90.2	92.0	50.1	47.6	-1.4	-0.7	0.1	2.0
Agriculture ^b	98.4	97.5	99.2	27.1	27.7	1.5	0.4	-0.9	1.8
Mining	43.9	57.4	58.8	0.7	0.4	-19.2	-14.4	30.8	2.3
Manufacturing	89.9	90.5	91.8	17.6	16.7	0.5	-0.8	0.7	1.5
Construction	50.7	52.3	56.2	4.6	2.7	-28.4	-8.5	3.2	7.4
Basic services	99.1	101.6	107.3	5.7	6.3	3.6	2.3	2.5	5.6
Electricity, gas and water	105.8	118.6	135.3	1.3	1.7	4.7	4.3	12.1	14.1
Transport, storage and communications	97.2	96.8	99.4	4.4	4.5	3.3	1.7	-0.5	2.7
Other services	98.5	98.5	101.0	44.3	46.2	1.1	-0.8	-	2.6
Commerce, restaurants and hotels	89.0	86.9	88.8	22.5	20.6	1.1	-3.4	-2.4	2.2
Financial institutions, insurance, real estate and business services	108.2	110.7	113.5	7.7	9.1	0.6	2.2	2.3	2.6
Ownership of dwellings	112.2	114.6	116.7	4.9	5.9	1.8	2.0	2.1	1.9
Community, social and personal services	108.5	110.4	113.7	14.0	16.5	1.2	1.1	1.8	3.0
Government services	117.8	122.0	127.5	6.9	9.1	2.1	1.7	3.5	4.6

Source: ECLAC, on the basis of official figures, reweighted according to the 1980 current price structure. Therefore, the figures shown do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures. ^bIncludes the livestock sector, forestry and fishing.

Table 4

GUATEMALA: INDICATORS OF AGRICULTURAL PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Indexes of agricultural production (1980 = 100)	96.5	98.0	98.4	97.5	99.2	-1.7	1.5	0.4	-0.9	1.8
Crop farming ^b	95.6	98.2	99.2	99.6	...	-2.4	2.7	1.0	0.4	...
Stock raising ^b	99.9	99.7	97.9	93.6	...	0.9	-0.2	-1.8	-4.4	...
Production of the main crops										
For export										
Coffee ^c	3 651	3 840	3 904	3 945	4 119	0.4	5.2	1.7	1.1	4.4
Cotton ^c	1 323	1 348	1 384	893	752	-13.5	1.9	2.6	-35.5	-15.8
Bananas ^d	13 492	13 538	15 068	15 617	15 835	-20.8	0.3	11.3	3.6	1.4
Sugar cane ^e	120	120	121	124	125	-12.0	0.2	0.6	2.3	1.1
For domestic consumption										
Maize ^c	22 004	25 063	24 173	25 152	25 799	-6.1	13.9	-3.6	4.1	2.6
Beans ^c	2 019	2 285	2 517	2 647	2 022	-6.4	13.2	10.2	5.2	-23.6
Rice ^c	995	981	835	804	1 281	-8.6	-1.5	-14.8	-3.8	59.5
Indicators of stock-raising production										
Stocks										
Cattle ^f	2 276	2 356	...	...	...	-12.8	3.5	...	...	...
Slaughtering										
Cattle ^f	316	315	289	350	...	8.2	-0.4	-8.3	21.1	...
Other products										
Milk ^g	243	248	...	...	...	-17.9	2.1	...	...	...
Eggs ^h	83	90	...	...	...	6.4	8.4	...	...	...

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.^bOn the basis of figures at 1958 prices.^cThousands of quintals.^dThousands of

bunches.

^eMillions of quintals.^fThousands of head.^gMillions of litres.^hMillions of dozens.

Table 5

GUATEMALA: INDICATORS OF MINING PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of mining production (1980 = 100)	63.5	51.3	43.9	57.4	58.7	-12.1	-19.2	-14.4	30.8	2.3
Production of some important minerals ^b										
Petroleum	144.0	96.9	60.4	102.0	75.7	4.0	-32.7	-37.7	68.8	-25.8
Minerals	22.1	22.0	19.6	23.6	37.3	-36.5	-0.5	-10.8	20.3	57.9
Gravel and sand	102.3	89.2	95.4	105.3	...	2.0	-12.8	6.9	10.4	...
Salt	187.5	192.9	201.0	227.7	...	25.0	2.9	4.2	13.3	...

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures. ^bAt 1958 prices.

Table 6

GUATEMALA: INDICATORS OF MANUFACTURING PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of manufacturing production (1980 = 100)	90.1	90.5	89.9	90.5	91.9	-1.9	0.5	-0.8	0.7	1.5
Foodstuffs ^b	104.1	105.0	105.3	106.7	...	-1.6	0.9	0.3	1.3	...
Textiles ^b	96.7	95.5	95.7	96.1	...	1.8	-1.2	0.2	0.5	...
Clothing ^b	99.7	100.2	100.6	101.2	...	-3.5	0.5	0.4	0.6	...
Chemicals ^b	110.5	109.8	106.0	102.6	...	-0.6	-0.6	-3.5	-3.2	...
Other ^b	114.5	115.0	114.5	115.2	...	-2.0	0.4	-0.5	0.6	...
Other indicators of manufacturing production										
Industrial consumption of electricity (millions of kWh)	...	370.2	401.3	447.4	...	-6.3	2.2	8.4	11.5	...

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures. ^bBased on 1958 prices.

Table 7

**GUATEMALA: RESULTS OF THE SURVEY OF ENTREPRENEURS CONCERNING
INDUSTRIAL ACTIVITY DURING THE FIRST HALF OF 1987**

(Percentages)

Branch of activity	Production volume						Wages ^a		
	Same period of preceding year			Previous six months			In-creased	Same	De-creased
	In-creased	Same	De-creased	In-creased	Same	De-creased			
Manufacturing	33.7	46.7	19.6	36.8	43.1	20.1	75.2	24.8	-
Food	32.3	47.1	20.6	39.7	44.1	16.2	70.6	29.4	-
Beverages and tobacco	10.3	56.8	31.1	31.1	37.9	31.0	69.0	31.0	-
Textiles	31.1	37.8	31.1	35.6	33.3	31.1	82.2	17.8	-
Wearing apparel and leather goods	29.9	45.4	24.7	23.4	45.4	31.2	72.7	27.3	-
Wood and furniture	28.1	45.6	26.3	19.3	45.6	35.1	59.7	40.3	-
Paper, printing and publishing	28.3	52.2	19.5	43.5	34.8	21.7	71.7	28.3	-
Rubber and plastics	36.9	52.6	10.5	55.3	42.1	2.6	73.7	26.3	-
Chemicals	55.6	31.9	12.5	41.7	40.3	18.0	87.5	12.5	-
Glass and non-metallic minerals	42.9	52.4	4.7	33.4	57.1	9.5	92.9	7.1	-
Basic metals industries	6.3	75.0	18.7	6.2	62.5	31.3	81.3	18.7	-
Manufacture of metal products	46.4	39.3	14.3	39.3	44.6	16.1	62.5	37.5	-
Other industries	20.0	60.0	20.0	20.0	60.0	20.0	80.0	20.0	-

Branch of activity	Employment level ^a			Use of installed capacity					
	In-creased	Same	De-creased	< 50	51-60	61-70	71-80	81-90	91-100
Manufacturing	23.8	69.5	6.7	24.8	14.3	13.0	23.9	9.8	14.2
Food	19.1	67.7	13.2	29.4	20.6	8.8	20.6	10.3	10.3
Beverages and tobacco	10.3	89.7	-	44.8	-	27.6	420.7	6.9	-
Textiles	20.0	80.0	-	31.1	11.1	9.0	22.2	13.3	13.4
Wearing apparel and leather goods	32.5	59.7	7.8	22.1	18.2	10.4	31.2	18.1	-
Wood and furniture	12.3	82.5	5.2	28.1	14.0	7.0	19.3	12.3	19.3
Paper, printing and publishing	43.5	54.3	2.2	15.2	13.0	17.4	19.6	8.7	26.1
Rubber and plastics	10.5	76.3	13.2	13.2	2.6	15.8	26.3	7.9	34.2
Chemicals	40.3	52.8	6.9	8.3	16.7	13.9	33.3	9.7	18.1
Glass and non-metallic minerals	16.7	80.9	2.4	25.6	4.7	11.6	20.9	9.3	27.9
Basic metals industries	-	93.8	6.2	12.5	18.8	18.7	37.5	6.3	6.2
Manufacture of metal products	44.6	53.6	1.8	7.1	26.8	3.6	26.8	8.9	26.8
Other industries	20.0	60.0	20.0	60.0	30.0	-	-	10.0	-

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aCompared with the previous six months.

Table 8

GUATEMALA: CONSTRUCTION INDICATORS

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of value added (1980 = 100)	77.3	55.4	50.7	52.3	56.2	-26.4	-28.4	-8.5	3.2	7.4
Area constructed^b (thousands of m ²)	219	228	245	290	328	-0.9	4.1	7.6	18.3	13.1
Housing	126	129	165	197	192	-14.3	-0.4	27.9	19.1	-2.8
Business	...	...	...	70	109	...	...	...	...	55.8
Cement production (1972 = 100)	183.3	157.7	216.7	234.3	...	-10.8	-14.0	37.4	8.1	...
Employment^c	17.8	13.0	14.1	15.7	...	-33.8	-26.8	8.5	11.5	...

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.^bRefers to private building permits issued by the Municipality of Guatemala City.^cNumber of persons (in thousands) covered by social security.

Table 9

GUATEMALA: EMPLOYMENT AND UNEMPLOYMENT^a

	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Thousands of persons								
Economically active population	2 183	2 251	2 307	2 371	2 438	2 506	2 576	2 648
Employment	2 136	2 218	2 169	2 135	2 216	2 204	2 209	2 315
Unemployment								
Open	47	33	138	236	222	302	367	333
Equivalent ^c	633	701	701	701	767	767	767	839
Percentages								
Participation^d	54.5	54.5	54.2	54.0	53.9	53.7	53.6	53.4
Unemployment								
Open	2.2	1.5	6.0	9.9	9.1	12.0	14.2	12.6
Equivalent ^c	29.0	31.1	30.4	29.6	31.5	30.6	29.8	31.7

Source: ECLAC, on the basis of figures supplied by the National Council of Economic Planning (SEGEPLAN).

^aThe calculations concerning trends in manpower use are based on a comparison between the growth of the gross domestic product and the increase in productivity. It is estimated that productivity remained stable in 1987.^bPreliminary figures.^cIncludes underemployment. ^dThe economically active population as a percentage of the working-age population (over 15 years).

Table 10

GUATEMALA: MAIN INDICATORS OF FOREIGN TRADE IN GOODS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	-15.0	-9.4	-6.7	3.7	-6.4	-1.1	-8.0
Volume	-9.8	-1.2	-3.1	0.9	0.7	-17.4	12.2
Unit value	-5.8	-8.3	-3.7	2.8	-7.0	19.6	-18.0
Import (FOB)							
Value	4.6	-16.6	-17.8	11.9	-8.9	-18.8	40.9
Volume	-3.3	-14.1	-11.7	12.7	-7.5	-11.8	34.9
Unit value	8.2	-3.0	-6.8	-0.7	-1.6	-7.9	4.5
Terms of trade	-13.0	-6.0	2.7	2.0	-6.1	29.2	-21.0
Indexes (1980 = 100)							
Purchasing power of exports	78.4	72.9	72.5	74.6	70.6	75.3	66.8
Volume of exports	90.2	89.1	86.4	87.1	87.7	72.5	81.3
Volume of imports	96.7	83.1	73.4	82.7	76.5	67.4	91.0
Terms of trade	87.0	81.7	84.0	85.7	80.5	103.9	82.1

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 11

GUATEMALA: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown			Growth rate				
	1984	1985	1986	1987 ^a	1975	1980	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	1 132	1 060	1 044	964	100.0	100.0	100.0	-6.7	3.7	-6.4	-1.5	-7.7
Exports to Central America	291	208	185	210	26.4	29.0	21.8	-4.9	-9.2	-28.7	-10.8	13.3
Exports to rest of world	841	852	859	754	73.6	71.0	78.2	-7.5	9.1	1.3	0.8	-12.2
Traditional	572	652	656	509	63.8	50.8	52.8	-10.1	6.0	13.8	0.6	-22.4
Processed coffee	361	452	502	351	25.6	30.5	36.5	-17.6	16.8	25.2	11.3	-30.1
Ginned cotton	72	73	24	21	11.6	10.9	2.2	-29.1	8.8	-0.3	-66.8	-14.4
Bananas	55	71	73	74	5.4	2.9	7.7	-25.0	2.6	29.1	3.5	0.8
Meat	13	10	4	9	2.6	1.9	0.9	-7.1	-18.6	-21.3	-57.0	109.3
Sugar	71	46	52	54	18.6	4.6	5.6	118.1	-25.2	-34.8	11.2	4.5
Non-traditional	269	200	202	244	9.8	20.2	25.4	-0.7	16.6	-25.4	1.3	20.7
Cardamom	100	61	48	40	1.6	3.7	4.2	34.4	68.9	-39.5	-21.4	-15.9
Petroleum	34	12	27	19	...	1.6	2.0	30.2	-43.3	-64.7	125.0	-28.2
Other	135	127	128	185	8.2	15.0	19.2	-21.8	21.0	-4.9	0.5	44.8

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.

Table 12

GUATEMALA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown			Growth rates				
	1984	1985	1986	1987 ^a	1975	1980	1987 ^a	1983	1984	1985	1986	1987 ^a
Total	1 278	1 175	960	1 350	100.0	100.0	100.0	-18.2	12.6	-8.1	-18.3	40.7
Consumer goods	264	225	159	217	22.4	21.3	16.1	-17.3	12.1	-14.8	-29.3	36.7
Durable	55	58	...	...	7.3	7.7	...	-12.7	18.9	6.6	...	...
Non-durable	209	167	...	...	15.1	13.6	...	-18.3	10.5	-20.3	...	...
Intermediate goods	863	792	627	825	53.6	59.8	61.1	-9.1	11.3	-8.3	-21.0	31.6
Petroleum and fuels	300	272	...	...	14.0	21.2	...	-15.7	20.0	-9.3	...	...
Building materials	56	50	39	61	5.1	5.8	4.5	-22.5	-5.8	-10.6	-23.0	56.4
Other	507	470	...	...	34.5	32.8	...	-1.5	15.5	-7.2	...	...
Capital goods	147	154	174	306	23.4	17.9	22.7	-52.6	27.2	4.9	13.1	76.1
For agriculture	14	11	...	...	2.6	1.2	...	-15.4	34.3	-18.8	...	...
For industry	101	107	...	...	13.6	12.1	...	-59.3	26.1	5.7	...	...
For transport	32	36	...	...	7.2	4.6	...	-27.1	27.7	12.1	...	...
Other	4	4	-	2	0.6	1.0	0.1	14.7	-51.3	-2.6	-97.3	...

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.

Table 13

GUATEMALA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-165	-574	-400	-225	-382	-241	-36	-366
Trade balance	-228	-578	-348	-142	-201	-92	126	-369
Exports of goods and services	1 730	1 446	1 278	1 172	1 228	1 165	1 170	1 121
Goods, FOB	1 520	1 291	1 170	1 092	1 131	1 065	1 048	964
Real services ^b	211	155	107	80	97	100	122	157
Transport and insurance	43	33	26	18	10	7	8	10
Travel	62	30	12	7	11	13	29	48
Imports of goods and services	1 958	2 024	1 626	1 314	1 429	1 257	1 044	1 490
Goods, FOB	1 473	1 540	1 284	1 056	1 183	1 078	874	1 232
Real services ^b	486	484	342	257	246	180	169	258
Transport and insurance	187	188	139	99	112	107	92	122
Travel	164	133	100	89	61	24	15	32
Factor services	-45	-86	-114	-113	-209	-168	-212	-188
Profits	-42	-49	-41	-39	-83	-21	-38	-40
Interest received	75	55	20	27	30	28	32	30
Interest paid	-92	-109	-100	-102	-152	-171	-202	-173
Other	14	17	7	-	-4	-5	-5	-5
Unrequited private transfer payments	109	89	62	30	28	19	50	191
Balance on capital account	-93	273	361	276	397	343	147	292
Unrequited official transfer payments	1	1	1	1	1	1	25	...
Long-term capital	247	398	339	283	203	244	42	176
Direct investment (net)	111	127	77	45	38	61	67	73
Portfolio investment (net)	4	-	1	77	59	143	17	...
Other long-term capital	132	270	262	161	106	40	-42	...
Official sector ^c	106	201	147	167	154	40	-80	86
Loans received	121	228	186	310	277	277	429	275
Amortization payments	-18	-27	-37	-143	-126	-215	-467	-189
Commercial banks ^c	-	-	-	-	-	-	-	...
Loans received	-	-	-	-	-	-	-	...
Amortization payments	-	-	-	-	-	-	-	...
Other sectors ^c	26	69	114	-6	-48	-	39	...
Loans received	25	100	124	11	6	14	6	...
Amortization payments	-10	-42	-15	-18	-54	-13	-10	...
Short-term capital (net)	-323	-130	39	29	179	54	12	91
Official sector	59	54	40	24	-93	-99	-80	...
Commercial banks	2	-7	14	71	9	-65	11	...
Other sectors	-384	-178	-14	-67	262	218	82	...
Errors and omissions (net)	-18	4	-18	-37	14	44	67	25
Global balance ^d	-258	-301	-38	51	14	102	110	-74
Total variation in reserves (- sign indicates and increase)	251	305	16	-64	-30	-81	-85	74
Monetary gold	-	-	-	-	-	-	-	...
Special Drawing Rights	2	20	3	-1	-1	2	-	...
IMF reserve position	-9	18	10	-8	8	-	-	...
Foreign exchange assets	259	257	25	-89	-72	-28	-61	...
Other assets	-1	-102	-15	-	25	-20	21	...
Use made of IMF credit	-	111	-6	35	10	-35	-46	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Includes other non-factor services. ^c Includes net loans granted and other assets and liabilities. ^d Is equal to the total variation in reserves (of opposite sign) plus counterpart items.

Table 14

GUATEMALA: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (quetzales por dollar)		Indexes of real effective exchange rates ^a	
	Main	Bank market	Exports	Imports
1970-1979	1		98.9	98.0
1980	1		100.0	100.0
1981	1		93.7	94.4
1982	1		96.3	93.8
1983	1		96.6	91.9
1984	1		97.0	91.7
1985	1	2.76	87.2	81.4
1986	1.88	2.87	107.9	101.7
1987	2.50	2.70	143.1	130.7
1985				
I	1	1.60	93.9	89.0
II	1	2.61	91.4	86.2
III	1	3.53	83.2	77.0
IV	1	3.33	80.2	73.4
1986				
I	1	2.90	63.4	61.0
II	1.50	2.96	87.2	82.9
III	2.50	2.95	140.2	132.0
IV	2.50	2.68	140.8	131.0
1987				
I	2.50	2.78	141.4	128.0
II	2.50	2.72	143.5	130.7
III	2.50	2.72	142.8	131.3
IV	2.50	2.59	144.5	132.7

Source: ECLAC, on the basis of figures supplied by the International Monetary Fund.

^aRefers to the average of the indexes of the real exchange rate for the quetzal with respect to the currencies of Guatemala's main trading partners weighted according to the relative significance of exports to those countries or imports from them, as appropriate. The weightings correspond to the 1982-1985 average. The calculations are based on wholesale price indexes whenever possible; in the case of Guatemala, the consumer price index was used. For information on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America*, 1981.

Table 15

**GUATEMALA: TRENDS IN THE EXCHANGE RATE FOR
THE US DOLLAR IN THE VARIOUS MARKETS**

	Bank market (parallel) (buyer)		Non-bank market	
	1986	1987	1986	1987
January	2.78	2.71	2.67	2.65
February	2.92	2.71	2.94	2.66
March	2.96	2.70	2.89	2.80
April	2.94	2.67	2.85	2.64
May	2.97	2.56	3.02	2.64
June	2.93	2.51	2.89	2.70
July	2.96	2.70	2.97	2.71
August	2.98	2.74	2.97	2.69
September	2.95	2.86	2.91	2.69
October	2.72	2.70	2.68	2.67
November	2.67	2.68	2.63	2.56
December	2.60	2.75	2.58	2.49

Source: ECLAC, on the basis of official figures and private surveys.

Table 16

GUATEMALA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars								
Total external debt								
Balance	1 053	1 385	1 841	2 149	2 505	2 695	2 668	2 718
Public	764	1 148	1 433	1 999	2 387	2 536	2 516	2 496
Private	289	238	408	149	118	158	153	223
Public external debt								
Disbursements	191	460	402	748	680	511	297	214
Servicing	60	133	188	266	417	509	494	395
Principal	17	77	117	182	293	362	318	234
Interest	42	56	72	84	124	147	177	162
Percentages								
Ratios^b								
Total external debt/exports of goods and services	60.9	95.8	144.0	183.3	204.0	232.1	229.8	242.5
Servicing/exports of goods and services	3.4	9.2	14.7	22.7	33.9	43.8	42.5	35.3
Net interest payments/exports of goods and services	2.4	3.8	5.6	7.2	10.1	12.7	15.2	14.4
Servicing/disbursements	31.3	28.8	46.8	35.6	61.2	99.6	166.2	185.0

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^a Preliminary figures. ^b All the ratios refer to the total external debt.

Table 17

GUATEMALA: DOMESTIC PRICES

	1983	1984	1985	1986	1987 ^a
December-to-December variation					
Consumer price index	...	5.2	31.5	25.7	10.1
Foodstuffs	...	7.7	30.1	29.3	14.0
Wholesale price index	0.4	8.4	43.7	33.9	...
Imported products	-2.8	12.5	33.5	0.5	...
Domestic products	0.8	8.0	44.7	37.2	...
Building materials	0.4	7.2	17.2	25.0	...
Variation between annual averages					
Consumer price index	...	0.9	18.5	37.2	12.3
Foodstuffs	...	-0.8	20.6	39.2	15.6
Wholesale price index	0.9	5.6	22.6	43.7	...
Imported products	4.9	4.7	19.0	13.2	...
Domestic products	0.8	5.4	23.4	46.4	...
Building materials	0.1	5.5	7.1	26.3	...

Source: ECLAC, on the basis of figures supplied by the National Statistical Institute.

^a Preliminary figures.

Table 18

GUATEMALA: WAGES AND SALARIES

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
Wages and salaries							
Nominal	131.2	139.3	147.6	139.0	142.3	159.3	191.0
Real	117.6	124.7	126.2	114.8	99.2	81.0	86.5
Total wage income							
Nominal	102.6	112.3	113.9	109.4	118.9	139.1	171.4
Real	92.1	100.6	97.5	90.4	82.9	70.9	77.8
Growth rates							
Wages and salaries							
Nominal	31.2	6.2	5.9	-5.8	2.4	11.9	19.9
Real	17.6	6.0	1.2	-9.0	-13.6	-18.3	6.8
Total wage income							
Nominal	2.6	9.5	1.4	-4.0	8.7	17.0	23.2
Real	-7.9	9.2	-3.1	-7.2	-8.3	-14.5	9.7

Source: ECLAC, on the basis of figures supplied by the Guatemalan Social Security Institute concerning the number of persons registered and the wages and salaries they received.

^a Preliminary figures.

Table 19

GUATEMALA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of quetzales					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	741	666	865	1 406	1 631	-10.1	29.9	62.5	16.0
Tax revenue	573	498	679	1 111	1 414	-13.1	36.3	63.6	27.3
Direct	134	86	126	186	272	-35.8	46.5	47.6	46.2
Indirect	439	412	553	925	1 142	-6.2	34.2	67.3	23.5
On foreign trade	106	107	88	349	421	0.9	-17.8	296.6	20.6
Non-tax income	168	168	186	295	217	-	10.7	58.6	-26.4
2. Current expenditure	721	766	839	1 407	1 640	6.2	9.5	67.7	16.6
Wages and salaries	367	385	429	583	...	4.9	11.4	35.9	...
Goods and services	94	103	110	242	...	9.6	6.8	120.0	...
Interest payments	97	105	100	189	...	8.2	-4.8	89.0	...
Transfers and other payments	163	173	200	393	...	6.1	15.6	96.5	...
3. Current saving (1 - 2)	20	-100	26	-1	-9				
4. Capital expenditure	317	263	231	299	301	-17.0	-12.2	29.4	0.7
Real investment	115	121	91	100	301 ^b	5.2	-24.8	9.9	...
Other	202	142	140	199	...	-29.7	-1.4	42.1	...
5. Total expenditure (2 + 4)	1 038	1 029	1 070	1 706	1 941	-0.9	4.0	59.4	13.8
6. Fiscal deficit (or surplus) (1 - 5)	-297	-363	-205	-300	-310				
7. Financing of deficit	297	363	203	300	310				
Domestic financing	217	340	121	209	235				
External financing	80	23	82	91	75				
Ratios (percentages)									
Current saving/capital expenditure	6.3	-38.0	11.3	-0.3	-3.0				
Fiscal deficit/total expenditure	28.6	35.3	19.2	17.6	16.0				
Tax revenue/gross domestic product		6.3	5.3	6.1	7.0	8.1			
Total expenditure/gross domestic product	11.4	11.0	9.6	10.7	11.1				
Fiscal deficit/gross domestic product	3.3	3.9	1.8	1.9	1.8				
Domestic financing/deficit	73.1	93.7	59.0	69.7	75.8				
External financing/deficit	26.9	6.3	40.0	30.3	24.2				

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.^bIncludes other capital expenditure.

Table 20

GUATEMALA: MONETARY INDICATORS

	End-of-year balances (millions of quetzales)					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base	734	783	1 274	1 547	1 565	6.6	62.7	21.5	1.1
Currency outside banks	436	459	695	801	927	5.4	51.4	15.3	15.7
Commercial bank deposits	296	323	576	744	637	9.2	78.4	29.0	-14.3
Private sector deposits	3	1	3	3	1	-65.5	160.0	-	-73.1
Money (M₁)	787	846	1 322	1 562	1 746	7.5	56.3	18.1	11.8
Currency outside banks	436	459	695	801	927	5.4	51.4	15.3	15.7
Current account deposits	352	387	627	760	820	10.1	62.1	21.2	7.8
Quasi-money	1 540	1 781	2 050	2 490	2 924	15.6	15.1	21.5	17.4
Savings deposits	1 240	1 417	1 660	2 217	...	14.3	17.2	33.6	...
Term deposits	207	254	295	151	...	22.7	15.9	-48.8	...
Other deposits	93	110	95	122	...	17.7	-13.3	28.6	...
Money plus quasi-money (M₂)	2 327	2 627	3 372	4 052	4 671	12.9	28.4	20.2	15.3
Domestic credit	3 107	3 624	3 972	3 733	4 051	16.7	9.6	-6.0	8.5
To the public sector	1 254	1 568	1 733	1 285	1 005	25.1	10.5	-25.8	-21.8
Central government	1 447	1 740	1 940	1 548	1 247	20.3	11.5	-20.2	-19.4
Public institutions	-193	-172	-207	-262	-242	-10.9	20.4	26.5	-7.7
To the private sector	1 694	1 882	2 039	2 235	2 828	11.1	8.3	9.6	26.5
Coefficients									
M ₁ /Monetary base	1.07	1.08	1.04	1.01	1.12				
M ₂ /Monetary base	3.17	3.36	2.65	2.62	2.99				
Velocity of circulation: GDP/M ₁	11.50	11.19	8.46	10.11	9.95				

Source: ECLAC, on the basis of figures supplied by the Bank of Guatemala.

^aPreliminary figures.

HAITI

1. Recent economic trends: Introduction and summary

In 1987 the recessive trend affecting the Haitian economy throughout the decade persisted, despite the significant financial support received by the transitional government during most of the year. The political and social instability continued to have a significant impact on the growth of the economy.

Although the objective of the policy applied under the adjustment agreement with the International Monetary Fund was to contain public expenditure and reduce the external imbalance, the results obtained in both areas must be considered modest.

The external sector had a considerable impact on economic and financial behaviour during the year. In the first place, the substantial influx of external funds in the form of transfers and soft loans helped to finance the foreign exchange requirements resulting from the current account deficit, and provided resources for a new upsurge of international reserves amounting to US\$36 million. In 1987, public and private transfers alone represented 58% of the exports of goods and services. It should be noted that Haiti has been receiving soft loans for the past two years, so the ratio of servicing to exports has continued to be low (15%), while the external debt in 1987 exceeded that of 1985 by nearly one fourth.

On the other hand, there was a strong influx of contraband goods, mainly grains, which was estimated at about one third of recorded imports.¹ This situation, which contributed to the expansion of the country's underground economy, had diverse effects, since it increased the (unrecorded) supply and forced prices down on the one hand, while providing competition for domestic production on the other.

Another aspect that affected overseas trade was the tariff modification put into effect at mid-fiscal year,² which further enhanced the external opening that has been widening since 1985. Thus, following the substantial cutbacks in controls and barriers of previous years, certain tariffs were reduced in 1987, in particular those on imported raw materials.

In this political and economic context, the gross domestic product fell by 0.6%, with a 2.5% contraction in the per capita product. The latter, declining throughout the entire decade, was more than 15% lower than the maximum reached in 1980 and equivalent to that of 1971 (see table 1 and figure 1).

This recessive situation existed in most of the productive sectors. Thus, although the agricultural sector stabilized, manufacturing and commerce declined again. Hence, the three sectors as a group (64% of the gross domestic product) decreased by 3% in 1987. Nevertheless, what stood out was the contribution of the assembly (*maquiladora*) industry, which generated exports for a value added of over US\$100 million, representing more than one half of total exports. Construction, electricity and government services moved in a positive direction.

The significant volume of contraband goods, along with the tariff reduction, played a role in the drop in food prices and caused an average annual decrease in the general price level of around 11%. As nominal wages and salaries stabilized, the purchasing power of the average wage-earner increased at a similar rate.

Despite the government's efforts, the fiscal deficit grew. Income shrank —with the decline in receipts from foreign trade and direct taxes— while investment expenditures mounted, boosting the

¹This significant volume of imports, which is not included in the statistical data analysed, affects the level of some macroeconomic variables. In view of its importance, this fact is noted in the most relevant cases.

²The statistical and qualitative data presented in this chapter correspond in general to the fiscal year (October 1986 to September 1987). However, some events and facts pertaining to periods outside even the calendar year are included because of their importance.

Figure 1
HAITI: MAIN ECONOMIC INDICATORS

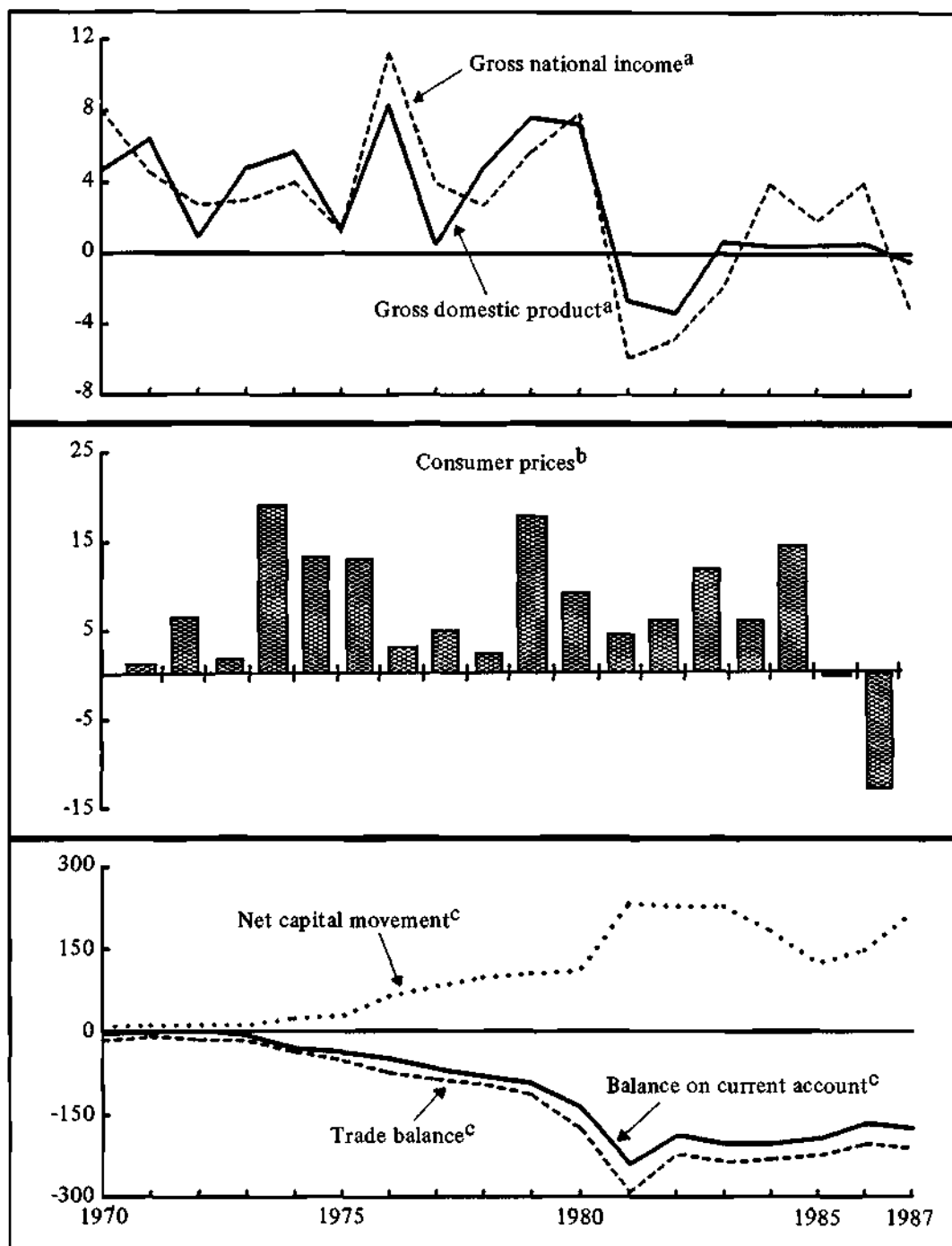
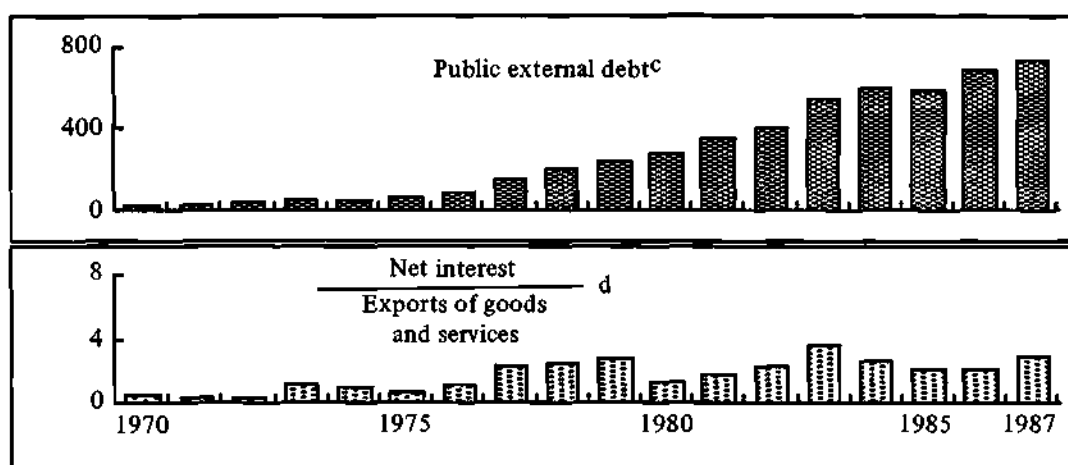


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bPercentage variation, September to September.

^cMillions of dollars.

^dPercentages.

deficit to around 6.5% of the gross domestic product, that is, nearly one percentage point higher than the preceding year.

The low level of activity and the external financing that helped to offset the fiscal deficit relieved the pressure on domestic credit from the Central Bank. The money supply, however, increased by around 11.5%, mainly because of the substantial flow of foreign exchange received during the year. As prices declined, the high liquidity in the monetary market was preserved.

Towards the end of the year, external financial aid lessened considerably, following the violence that accompanied the unsuccessful elections. This had a negative, simultaneous impact on the public sector—which lost its main source of deficit financing—and gave rise to a new weakening in the balance of payments, whose most immediate manifestation was a more than 20% drop in the price of the gourde on the parallel market, which seems to reflect some flight of private capital.

In sum, the political instability counteracted not only the establishment of the minimal bases for a medium-term policy, but also any possibility of attaining the goals set for the year. Thus, the few achievements in terms of the adjustment were ultimately diluted in this economy, which, under current conditions and given its structural limitations, greatly depends on external resources.

2. Trends in economic activity

a) Total supply and demand

Total supply and demand, which had fallen by nearly 4% in 1986, remained in a state of stagnation during 1987. Domestic economic activity continued to be depressed and even contracted by slightly more than half a percentage point, and hence the level of supply stabilized, owing to the increase in imports (see table 2).

Although the physical volume of external purchases has greatly deteriorated in recent years, its contribution to supply is significant since it represents 37% of the gross domestic product (this should be combined with the high volume of contraband goods which is not included in the statistics analysed).

Exports, on the other hand, grew by 15%, despite slackening sales of crop-farming products, because of the renewed thrust of the assembly (*maquiladora*) industry, and the upswing in tourist spending. This recovery was not enough, though, to offset the strong contraction of 1986.

Recorded domestic demand declined by somewhat less than three percentage points. Private consumer expenditure was the variable which contracted most strongly (4.3%), although in view of

the magnitude of contraband commodities, which were sold domestically at lower prices, private consumption may have tapered off at a lower rate than is indicated by the statistics. Public consumption, on the contrary, grew by 1%.

Fixed gross investment, for its part, climbed by one percentage point after a year in which it had decreased by slightly more than that, thereby virtually returning to its previous level. The increase observed during the year came from public investment, which was promoted by the external financing received and the budgetary allocation of counterpart funds for co-financing external aid. Outstanding results in this respect included improvements in the electricity sector and in the highway infrastructure and drinking water supply projects in Port-au-Prince. Private investment, both domestic and foreign, remained at previous levels.

b) *Evolution of main sectors*

The lethargy observed in the Haitian economy during the current decade lasted one year longer, owing to a drop in the gross domestic product of slightly more than half a percentage point. The stagnation in agricultural production, a sector that contributes more than one third of the product, as well as the slump in manufacturing and commerce, could not be offset by the higher level of activity in construction, electricity and government services (see table 3).

i) *Agriculture.* Agricultural activity has remained practically stagnant in recent years. During 1987, two of the main export crops, coffee and cocoa, and one for domestic consumption, sugar, showed significant downturns, which were offset by the rises in the remaining products for domestic consumption and, more importantly, by livestock production (see table 4).

Deforestation and the consequent soil erosion, the excessive subdivision of land-holdings, irrigation deficiencies and the institutional shortage of financial resources were deep-seated structural limitations on this important productive sector.

Likewise, each product faced obstacles of its own. Thus, sugar competed at a disadvantage with substitutes, making sugar refineries unprofitable—independently of their administrative problems—which led to the subsidizing of some plants and to the closing of others.

Coffee, the main export crop, suffered a drop in international prices. Although in recent years the export taxes on this product have been cut back, a process was occurring in which areas sown with this crop were being replaced by basic grains.

Besides other more permanent factors, two primary events affected the economy: the takeover of land, much of which was State property, and the above-mentioned contraband of commodities, especially rice. The first phenomenon had already had an impact during the previous fiscal year, as reflected in the social disturbances linked to the ousting of the old regime. In 1987, the new settlements were oriented toward farm consumption. On the other hand, the violence in the countryside intensified in some regions, such as Gonaïves, since the producers affected by the contraband opposed the trafficking of illegally imported grains of better quality and lower price. Besides the drop in prices, a large part of the grain was lost because of poor storage facilities, particularly in the Artibonite Valley. In response, some producers turned their efforts towards growing vegetables. Production of other crops for domestic use, most of them for farm consumption, grew very little.

Livestock production, on the other hand, made better progress in several areas. Stock-raising showed a sharp rise, with the continuation of the hog restocking campaign—despite the environmental adaptation problems of the species—and advances in poultry and goat production. On the other hand, the domestic beef supply was insufficient and demand was filled by imports. Finally, fisheries grew favourably, permitting the export of shrimp and lobsters.

ii) *Manufacturing.* Manufacturing fell again in 1987. The 3.2% drop represented a total contraction of 22% since 1980. On the one hand, this activity was more exposed to the exterior, owing to the tariff reduction resulting from the new rates that took effect in March 1987 and to contraband. In addition, the sector faced a depressed domestic market, with adverse effects that were greater than the advantages expected from the fiscal incentives introduced to encourage production. This was combined with the policy of reducing the number of unprofitable State enterprises, which drastically curtailed the production of flour and edible oils, all of which are products controlled by State monopolies. Sugar, for its part, fell at a similar rate to that of sugar-cane agriculture (see table 5).

In contrast to the general trend in industry, there was exceptional buoyancy in the manufacturing of soaps and detergents, cigarettes and —within the traditional export products— essential oils.

Moreover, the assembly industries resumed their pace, which had been affected during the preceding fiscal year by the change in regime, although at the end of this period they had already resumed their operations. There was an outstanding upsurge in the manufacture of clothing articles, electrical material, electronic equipment, travel and sports articles and toys.

iii) *Construction*. After declining during 1986 and the first half of 1987, this activity recovered in Port-au-Prince. The rate of new construction continued to be low, but the increased availability of financing allowed for an upswing in additions and improvements. Public investment was oriented toward highway projects, such as the road between Canapé-Vert and Pétionville and the Carrefour road, the Cité Soleil water supply works and the restoration of some school buildings, mostly in Port-au-Prince. Since the average covers two periods of divergent development, the growth of this branch was less than 1% (see table 3).

iv) *Electricity*. The supply of electricity was considerably augmented when several electrical generators were put into operation. Consumption grew at a slower rate owing to a slowdown in industrial demand, particularly for sugar, and commercial demand. On the other hand, residential and public lighting needs, which had never been met sufficiently, could be handled to a greater extent. The widening of the gap between recorded supply and demand indicates a sizeable increase in informal consumption (see table 6).

c) *Employment*

Although there is no continuing series of data on employment in Haiti, the unemployment and underemployment problem is so great that emigration for economic reasons has persisted in recent years. The chronic inability of the Haitian economy to generate salaried employment was aggravated in the 1987 economic climate by continued stagnation and external competition. In this context, formal employment fell by 6.5% in a small sample of around 50 000 wage-earners, most of whom were from Port-au-Prince, which is covered by the Office of Job-Related Accident and Health Insurance and Maternity Benefits (OFATMA).³ This decline in employment may not be as sharp as it seems, if informal employment is taken into account, since the available indicators seem to show a more active underground economy.

3. The external sector

a) *Introduction*

The Haitian economy is highly dependent on the exterior. Its imports represent 30% of total supply, and grants, donations and soft loans from the exterior are the principal means of financing the external debt.

In the past decade, an important change took place in the structure of exports when a policy to promote the assembly industries was initiated. In 1987, despite the prevailing political uncertainty and instability peculiar to this activity, it was the only dynamic export item; the value added contributed by manufactured articles in the free trade zone represented more than half of total sales (25% in 1980), while sales from agriculture fell markedly in both price and quantity.

In recent years, the Haitian economy has opened up further, and monopolies and controls have been eliminated; in addition, in 1987 tariffs were reduced.

External dependence was even greater in the financial sphere. Grants and donations, which increased considerably in 1987, were a determining factor in the relatively ample supply of foreign

³There are no uninterrupted statistics on unemployment. According to official 1981 figures, open unemployment, at the national level, was estimated at 11.5% and underemployment at 40% of the labour force (see Secretariat of State for the Plan, *Main d'oeuvre, emploi et ressources humaines*, Port-au-Prince, January 1982). A recent survey of the working class neighbourhood of Fort National, in Port-au-Prince, indicates the existence of an open unemployment rate of 43% (see Haitian Institute of Statistics and Information Sciences, *Enquête socio-économique dans les quartiers populaires*, 1. Fort National, Port-au-Prince, July 1987).

exchange. This was combined with new soft loans and remittances from emigrants, which helped to reinforce the country's external standing and, as already mentioned, accumulate international monetary reserves for the second consecutive year, this time by US\$36 million.

b) *Merchandise trade*

A significant feature of Haitian foreign trade was the deterioration of the terms of trade (-9%), mainly caused by the fall in international coffee prices, after a three-year boom. The rally in the export of goods (around 4%) —which did not offset the sharp drop of 1986— was hence a consequence of an 11% rise in volume and a nearly 6.5% decline in prices (see table 7).

The increase in sales did not come from agricultural activity, the traditional export sector. In the fact, both the volume and the price of exported coffee contracted drastically with the downturn in the supply resulting from the significant cutback in production. In addition, cocoa and sisal exports were reduced. In all these cases, the authorities made use of export tax cuts, promoting a greater transparency in the international price for the producer.

As already mentioned, the most dynamic item was the assembly (*maquiladora*) industry, whose exports grew by one third in nominal values to more than US\$100 million, which widely exceeded the levels of previous years (see table 8).

Registered imports of goods decreased slightly less than 5%, owing to volume reductions, since prices increased by 3% (however, the intense contraband activity during the year should be kept in mind). Of these imports, those of chemicals, oils and fats, machinery and transport equipment expanded (see table 9).

In March 1987, import regulations were modified, so that only seven categories of crop-farming products were subject to quantitative controls (most of the contraband corresponded to these items). Likewise, through modifications in the customs tariff, raw materials were exempted from duties and the tariffs on finished articles varied between 30% and 56%.

c) *Services and factor payments*

The exchange of services has always had an important weighting in the Haitian trade balance. During 1987, both exported and imported services recovered from the sharp drop of the preceding year. Thus, relevant increases were seen in both directions; 15% in exports and 28% in imports (see table 10).

In the first case, the increase came from greater spending by travelers, who were mainly Haitian citizens visiting relatives. The additional outlays were due to increases in both quantity (11%) and average outflow. The growth of imported services was a result of the high costs of transport and insurance, which were partially able to offset the costs derived from the illegal import of goods.

External factor payments rose, in particular, because of the debt interest. Also, the remittance of profits from foreign investors was greater.

Finally, the remittances of Haitian emigrants to their relatives went up by nearly US\$60 million, which equalled 30% of exports of goods, a figure that was higher than income from coffee sales.

d) *Current account position and its financing*

The nearly US\$180 million current account deficit was amply financed by the external support that the transition government received at the time, following the former longstanding regime. Official grants and donations significantly expanded to US\$127 million, while long-term loans more than tripled. Most of these were official soft loans, although loans were also made to the private sector. All this contributed to the increase in international monetary reserves; however, these tended to decline by the end of the calendar year, owing to the suspension of most of the aid from abroad.

e) *External indebtedness*

For the second year in a row, financial resources continued to flow to Haiti in the form of soft loans, driving up the public debt to more than US\$740 million (see table 11). The year 1987 did not escape the past trend of growing dependence on financing from international agencies, which, with

the exception of loans from the International Monetary Fund, came to represent 62% of the total. In contrast, financing from foreign governments (18%), the Fund (11%) and private institutions (9%) continued to plunge. Given the soft terms of the agreement, the payment of its service was 15% of the value of the exports of goods and services, while outflow for net interest accounted for only 3%.

4. Prices and wages

Since 1986, the government has been applying a price reduction policy for some commodities, including gasoline that year, as a result of the fall in international oil prices. In 1987, that trend was accentuated, owing to tax cuts and, in particular, tariff reductions introduced during mid-fiscal year. Moreover, the competition represented by illegal imports was reflected not only in a considerable drop in food prices (-19%) —a branch which accounts for a large proportion of the total—, but also clothing and footwear (-7%).⁴ Another element that had an impact on the reduction in prices was the smaller spread between the official and parallel market gourde, which widened again, however, at the end of the calendar year; as a result of all this, the average general index for the year plummeted by 11% (see table 12 and figure 2).

This drop in prices restored, by a similar proportion, the purchasing power of wages, which recovered from its fall in 1986 as wages remained stable (see table 13). The minimum wage—and many are hired below this rate— continued at 15 gourdes per day (US\$3.00). The division of the exchange market and the spread on the parallel market led to greater competitiveness at the international level, although paradoxically the cost of living in Haiti, even with the reduction in 1987, is higher than that of other countries in the region that have assembly industries.

5. Monetary and fiscal policies

a) *Monetary policy*

The inflow of foreign exchange, which permitted the growth of international reserves for the second consecutive year, had an expansive effect on monetary variables, which contrasted with the goal of austerity set forth in the programme being implemented in agreement with the International Monetary Fund since the end of 1985. Thus, the monetary base grew by 7% and money increased even more rapidly at a rate of nearly 12% annually, as compared to a decline in the current gross domestic product of over 10%. Time deposits also rose at the high nominal rate of 8% (see table 14).

These monetary trends reveal a rise in the public's inclination to maintain liquid balances, which may be related to the significant reduction in domestic prices, typical of the Haitian case in particular.

The domestic credit of the financial system climbed by slightly less than 5%, which represented a slower growth rate than that of the money supply.

The behaviour of the financial variables was not uniform during 1987. Thus, there was a period of contraction and adjustment until mid-year and another of expansion in the second semester, almost simultaneously with the development of public finances. The growth of credit to the private sector presented similar characteristics; the demand for loans to businesses escalated in the second semester, particularly construction loans, to finance their operating expenses.

By the end of the year, the withdrawal of international financial aid following the violence which occurred during the unsuccessful elections, exerted greater pressure on the monetary and exchange markets, which brought on a sudden devaluation of over 20% in the local currency against the dollar.

b) *Fiscal policy*

After the heavy deficits registered in the 1982-1984 period—which reached a peak of 13% of the gross domestic product in the first of those years—the fiscal policy was oriented toward reducing the imbalance to limits consistent with the rest of the objectives of the economic and financial policy.

⁴Of basic grains, the major price cuts were in rice (-36%), beans and millet (-28%) and maize (-20%).

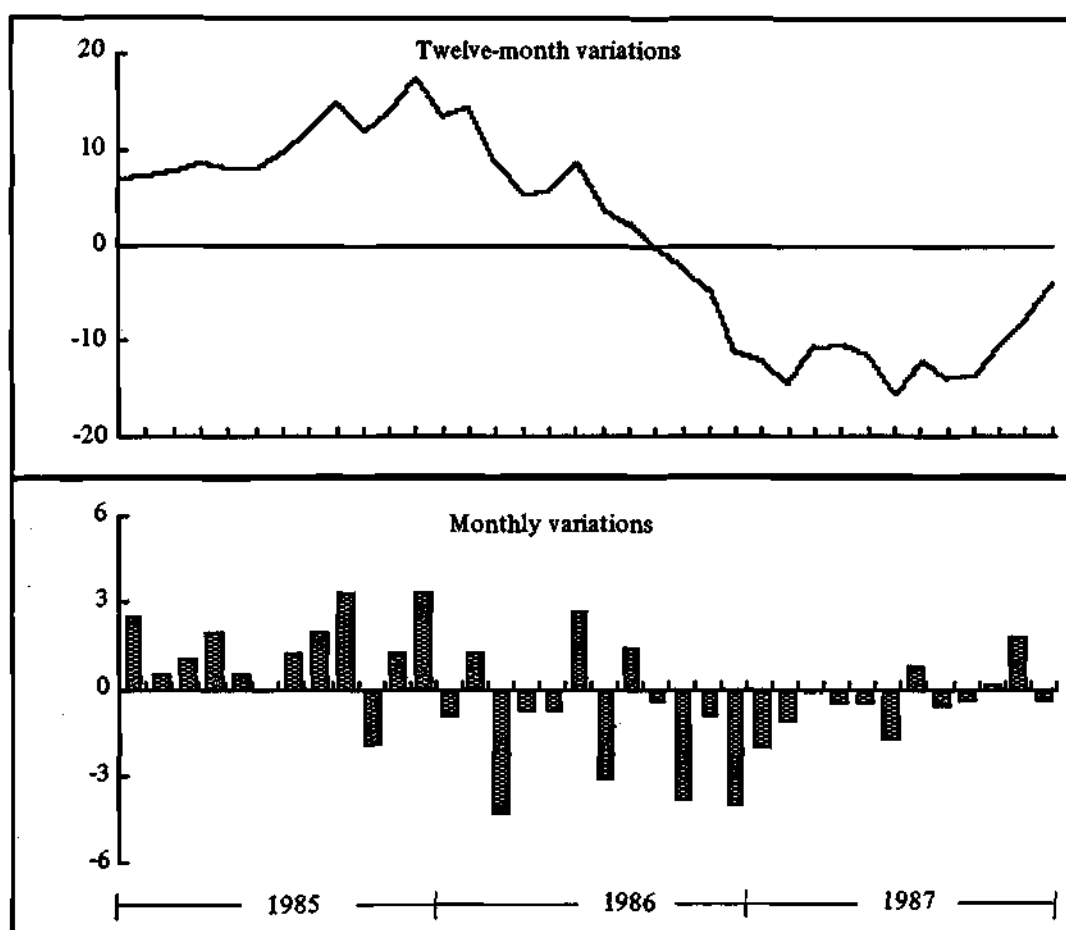
In the biennium 1985-1986, the government took greater control over fiscal expenditure, thereby shrinking the deficit from 10% of the gross domestic product in 1984 to 5.5% in 1986.

Fiscal management in 1987 was more lax. On the one hand, income was curbed by almost 4% in nominal values, while total expenditures rose by 2%. Hence, the fiscal deficit increased to 6.4% of the gross domestic product (see table 15).

The drop in revenue came from the policy of lowering tariffs and direct taxes applied in late 1986 and early 1987. In fact, in October of the previous year, a new income tax law went into effect, whereby the marginal tax rate declined from 50% to 30%, the number of tax categories decreased from ten to five and income lower than 1 500 gourdes per year was exempted. Later, during March, the new tariff rate schedule described above was imposed. The two modifications produced a nearly 4% reduction in the current income of the government.

Fiscal outlays, for their part, showed an upward trend during the year. Since the expenditure policy was more restrictive during the first semester, the annual value of current allocations grew slightly less than 2% in nominal terms. Capital expenditure, on the contrary, climbed by 21.4%, funded by resources from international co-operation. In general, the projects carried out were oriented toward labour-intensive work on infrastructure.

Figure 2
HAITI: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

Finally, in the administrative area, a more precise definition was sought of current expenditures, which usually mean, when they are very high, extra-budgetary outlays. Although progress was made in this direction, the share of extra-budgetary expenses in total current expenditures still amounted to 49% (60% in 1984).

A large part of the central government deficit (94%) was financed with external resources, of which 83% corresponded to grants and donations (561 million gourdes).

At the end of the calendar year, public finances had deteriorated considerably, while the withdrawal of international aid limited the administration's policy alternatives.

Table 1

HAITI: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	97.3	93.9	94.5	94.9	95.4	95.9	95.3
Gross national income	93.9	89.3	87.6	90.9	92.5	96.2	93.0
Population (millions of inhabitants)	5.51	5.61	5.71	5.82	5.92	6.03	6.15
Per capita gross domestic product	95.6	90.7	89.6	88.4	87.2	86.1	84.0
Growth rates							
B. Short-term economic indicators							
Gross domestic product	-2.7	-3.5	0.7	0.4	0.5	0.6	-0.6
Per capita gross domestic product	-4.4	-5.1	-1.1	-1.3	-1.3	-1.2	-2.4
Gross national income	-6.1	-4.8	-1.9	3.9	1.8	4.0	-3.2
Consumer prices							
December to december	16.4	4.9	11.2	5.4	17.4	-11.4	-4.1
Variation between annual averages	7.6	9.0	8.8	8.0	8.4	8.5	-11.1
Real wages and salaries ^b	-3.7	4.7	-6.7	-7.3	4.8	-8.5	11.1
Money	21.3	14.9	-2.2	16.3	11.5	14.7	11.6
Current income of government	-3.8	12.9	11.1	12.9	18.9	4.8	-3.9
Total expenditure of government	12.8	34.3	2.1	6.4	1.1	-2.5	2.1
Fiscal deficit/total expenditure of government ^c	52.8	58.4	54.8	45.9	36.5	31.7	35.7
Fiscal deficit/gross domestic product ^c	8.2	13.1	11.3	10.1	7.6	5.5	6.4
Current value of exports of goods and services	-21.3	12.2	6.9	10.7	5.7	-13.3	7.5
Current value of imports of goods and services	10.2	-7.5	6.6	4.5	2.0	-11.3	6.3
Terms of trade (goods and services)	-20.0	1.6	-7.0	15.8	4.7	11.8	-11.1
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-292	-223	-237	-230	-223	-204	-214
Net payment of profits and interest	-13	-14	-14	-18	-20	-15	-20
Balance on current account	-241	-188	-205	-203	-194	-168	-178
Balance on capital account	232	226	227	182	123	148	214
Variation in net international reserves	-50	-3	-32	-5	-5	...	36
Disbursed public external debt	372	410	551	607	600	697	741

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bMinimum wages in industry.^cPercentages.

Table 2

HAITI: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	98.5	94.8	94.7	138.0	137.1	1.7	0.8	-3.8	0.0
Gross domestic product at market prices	95.4	95.9	95.3	100.0	100.0	0.4	0.5	0.6	-0.6
Imports of goods and services	106.9	91.7	93.1	38.0	37.1	1.7	-14.2	1.5	1.3
Total demand	98.5	94.8	94.7	138.0	137.1	1.7	0.8	-3.8	0.0
Domestic demand	95.9	97.2	94.4	114.0	112.9	3.2	0.9	1.3	-2.8
Gross domestic investment	115.4	113.6	114.7	18.9	22.7	4.7	11.5	-1.6	1.0
Gross fixed investment	116.8	114.9	116.0	16.9	20.6	3.2	10.7	-1.6	1.0
Construction	...	...	...	...	...	...	...	...	...
Machinery	...	...	...	...	...	...	...	...	...
Public	...	...	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...	...
Variation in stocks	103.2	102.0	102.8	1.9	2.1	...	...	...	...
Total consumption	92.0	93.9	90.4	95.1	90.2	2.9	-1.4	2.1	-3.7
General government	94.7	95.9	96.9	9.6	9.7	-2.3	-7.8	1.3	1.0
Private	91.7	93.7	89.7	85.6	80.5	3.6	-0.6	2.1	-4.3
Exports of goods and services	111.1	83.4	96.1	24.0	24.2	-4.0	0.7	-25.0	15.3

Source: ECLAC, on the basis of official data.

^a Preliminary figures.

Table 3

**HAITI: GROSS DOMESTIC PRODUCT BY KIND OF
ECONOMIC ACTIVITY AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	95.4	95.9	95.3	100.0	100.0	0.4	0.5	0.6	-0.6
Goods	91.4	91.3	90.6	57.4	54.5	0.5	1.2	-0.1	-0.8
Agriculture ^b	95.1	97.4	97.4	33.4	34.1	3.5	1.1	2.4	-
Mining	8.8	7.9	7.9	1.3	0.1	6.2	17.5	-9.9	-
Manufacturing	83.1	80.7	78.1	17.2	14.1	-5.8	-2.9	-2.9	-3.2
Construction	113.7	106.8	107.5	5.4	6.1	1.8	12.7	-6.0	0.6
Basic services	96.4	99.6	103.0	2.7	2.9	-7.8	-4.6	3.3	3.4
Electricity, gas and water	127.7	130.2	144.0	0.7	1.0	6.2	2.4	2.0	10.5
Transport, storage and communications	85.8	89.3	89.3	2.0	1.9	-13.0	-7.7	4.0	-
Other services	102.7	103.0	102.0	35.6	38.1	1.8	1.2	0.2	-0.9
Commerce, restaurants and hotels	91.6	89.4	82.4	18.3	15.8	-3.5	1.1	-2.4	-8.0
Financial institutions, insurance, real state and business services	110.0	112.0	112.2	4.9	5.8	1.8	1.7	1.8	0.2
Ownership of dwellings	109.7	111.6	111.9	4.7	5.5	1.9	1.8	1.8	0.2
Community, social and personal services	116.4	119.5	127.4	12.3	16.5	8.9	1.2	2.7	6.6
Government services	112.7	115.7	126.8	9.5	12.7	6.4	1.0	2.6	9.6

Source: ECLAC, on the basis of official figures, re-weighted according to the 1980 current price structure. Therefore, the figures shown do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures. ^bIncludes the livestock sector, forestry and fishing.

Table 4

HAITI: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands of tons				Growth rates			
	1980	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Production of the main crops								
For export								
Coffee	42.9	36.9	37.8	30.1	1.7	0.8	2.4	-20.4
Cotton	5.9	8.0	8.4	...	25.0	6.7	5.0	...
Cocoa	3.4	5.1	5.6	5.2	2.4	8.5	10.9	-7.1
For domestic consumption								
Rice	124.1	124.2	129.2	135.1	7.5	1.1	4.0	4.6
Maize	186.2	186.4	196.3	205.7	8.8	0.3	5.3	4.8
Sorghum	125.2	121.4	119.2	124.1	10.9	2.7	-1.8	4.1
Beans	52.6	47.6	48.2	48.7	1.1	0.8	1.3	1.0
Bananas	519.7	510.4	525.4	530.9	-1.8	2.0	2.9	1.0
Sugar cane	5 640.8	5 727.5	5 772.5	4 542.9	0.5	0.5	0.8	-21.3
Livestock production								
Meat, total	69.4	68.8	73.8	92.1	...	...	7.3	24.8

Source: ECLAC, on the basis of figures provided by the Ministry of Agriculture, Natural Resources and Rural Development.

^aPreliminary figures.

Table 5

HAITI: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Indexes (1976 = 100)								
Indexes of value added	147	122	118	114	-5.8	-2.9	-2.9	-3.2
Foodstuffs	135	133	130	...			-2.3	...
Beverages	143	137	133	...			-2.9	...
Tobacco	152	109	106	...			-2.7	...
Textiles, clothing and leather products	99	87	85	...			-2.3	...
Chemicals	187	50	49	...			-2.0	...
Non-metallic minerals	110	125	121	...			-3.2	...
Metal-working products	268	212	206	...			-2.8	...
Miscellaneous industries	126	108	105	...			-2.7	...
Thousands of tons								
Production of some important manufactures								
Flour	85	113	128	92	-3.9	-0.6	12.8	-20.1
Sugar	54	58	41	33	-5.6	42.9	-28.7	-21.3
Lard	3	6	7	7	6.7	134.6	6.6	12.3
Edible oil	19	38	40	24	-16.8	139.0	5.5	-39.7
Carbonated beverages (millions of bottles)	74	61	65	...	-0.7	-16.0	7.2	...
Beer (millions of bottles)	5	4	4	4	-28.2	-15.5	-3.1	16.2
Cigarettes (millions of units)	1 064	786	846	888	0.6	-16.2	7.6	5.0
Soap	13	29	31	40	-4.7	135.5	5.8	30.4
Detergents (tons)	579	1 302	1 373	1 916	-5.0	139.3	5.4	39.5
Essential oils (tons)	242	154	153	167	-40.0	-27.3	-0.1	8.8
Cement	243	263	221	...	2.5	14.1	-15.7	...
Other indicators of manufacturing production								
Commercial and industrial electricity consumption (millions of kWh)	156	174	160	154	8.4	7.4	-8.0	-4.0
Sugar industry	18	10	9	6	6.2	11.1	-9.9	-29.2
Cement industry	21	22	20	...	0.2	1.8	-12.1	...

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti and the Haitian Institute of Statistics and Information Sciences.

^a Preliminary figures.

Table 6

HAITI: ELECTRICITY GENERATION AND CONSUMPTION

	Millions of kWh				Growth rates			
	1980	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Generation	336	425	439	486	3.9	4.2	3.3	10.7
Consumption^b	256	323	319	328	6.6	5.9	-1.1	2.6
Commercial and industrial	156	174	160	154	8.4	7.4	-8.0	-4.0
Residential	81	114	123	136	-0.5	3.6	8.0	10.1
Street lighting	9	8	8	10	-17.0	-4.6	2.1	20.7
Public and community services	10	27	28	29	53.9	8.0	4.0	2.1

Source: ECLAC, on the basis of figures provided by the Bank of the Republic of Haiti.

^aPreliminary figures. ^bThe difference between generation and consumption is due to losses in transmission and to unrecorded consumption.

Table 7

HAITI: MAIN INDICATORS OF FOREIGN TRADE IN GOODS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	-30.3	15.5	6.8	15.7	3.9	-14.4	3.8
Volume	-4.8	12.2	18.4	-3.7	1.2	-28.1	10.9
Unit value	-26.8	3.0	-9.8	20.1	2.7	19.0	-6.4
Imports FOB							
Value	17.2	-13.3	8.6	2.3	-3.5	-6.1	-4.7
Volume	13.7	-12.8	7.5	7.2	-0.5	-11.4	-7.3
Unit value	3.1	-0.6	1.0	-4.6	-3.0	6.0	2.8
Terms of trade	-29.6	3.0	-11.0	22.2	3.8	15.1	-9.2
Indexes (1980 = 100)							
Purchasing power of exports	67.0	77.4	81.6	96.0	100.8	83.5	84.1
Volume of exports	95.2	106.8	126.4	121.7	123.2	88.6	98.2
Volume of imports	113.7	99.2	106.6	114.3	113.7	100.7	93.4
Terms of trade							
FOB/CIF	70.4	72.5	64.5	78.9	81.9	94.2	85.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 8

HAITI: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	223	191	198	100.0	100.0	100.0			-14.4	3.8
Agricultural products	98	83	70	53.0	64.9	35.5			11.6	-27.2
Coffee	49	55	35	22.8	42.1	17.8			12.4	-35.9
Cocoa	7	5	5	6.0	2.1	2.5			-28.6	-8.1
Sugar ^b	2	4	3	13.2	3.0	1.5			105.0	-36.5
Sisal	-	1	-	3.9	0.7	-			...	-39.0
Essential oils	4	4	4	6.0	2.5	2.0			0.5	-16.2
Others	36	14	23	11.1	14.5	11.7			-58.7	59.5
Manufactured articles (free zone)	82	78	104	22.3	25.3	52.5			-5.0	32.9
Handicraft manufactures	47	32	27	14.7	9.8	13.6			-30.8	-16.7
Adjustment	-4	-2	-3	-	-	-1.6				
	Thousands of tons									
Coffee	18.2	15.8	12.6				-21.1	-2.7	-13.2	-20.3
Cocoa	3.8	2.8	2.6				-35.1	58.3	-26.3	-7.1
Sugar	5.3	11.0	6.6				-23.6	-3.7	107.5	-40.0
Essential oils	0.2	0.2	0.2				-50.0	-	-	-
Manufactured articles (free zone)	17.5	16.0	17.6				23.5	4.2	-8.9	10.0
Handicraft manufactures	4.0	3.5	2.9				15.4	-33.3	-12.5	-17.1

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti.

^aPreliminary figures. ^bIncluding molasses.

Table 9

HAITI: PRINCIPAL IMPORTS OF GOODS, CIF

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Foodstuffs, beverages and tobacco	86	69	70	23.1	16.9	18.6	0.9	7.6	-19.8	1.4
Hydrocarbons	64	51	50	9.1	16.7	13.3	0.1	3.9	-20.6	-1.0
Oils and fats	31	34	36	5.5	7.0	9.6	13.4	-7.0	8.2	5.5
Chemicals	42	36	38	8.4	8.4	10.1	8.4	-2.4	-14.6	6.5
Manufactured articles^b	78	60	60	16.3	20.7	16.0	1.3	5.6	-23.0	-0.7
Machinery and transport equipment	83	63	66	19.8	17.4	17.6	8.8	2.4	-23.7	3.8

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti.

^aPreliminary figures. ^bIncluding manufactures of textiles, leather, rubber, wood, paper and metallic and non-metallic minerals.

Table 10
HAITI: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-140	-241	-188	-205	-203	-194	-168	-178
Trade balance	-178	-292	-223	-237	-230	-223	-204	-214
Exports of goods and services	306	240	270	288	319	337	292	314
Goods, FOB	216	150	174	186	215	223	191	198
Real services ^b	90	90	96	103	104	114	101	116
Transport and insurance	6	7	7	7	8	8	7	8
Travel	76	75	80	85	85	93	82	90
Imports of goods and services	484	533	493	525	549	560	497	528
Goods, FOB	319	374	324	352	360	348	326	311
Real services ^b	165	159	169	173	189	212	170	217
Transport and insurance	83	89	77	88	98	114	76	93
Travel	41	31	41	39	40	43	36	42
Factor services	-14	-13	-14	-14	-18	-20	-15	-20
Profits	-8	-7	-8	-8	-2	5	5	-6
Interest received	1	1	1	1	-	-	-	-
Interest paid	-6	-6	-7	-7	-17	-25	-20	-14
Others	-	-	-	-	-	-	-	-
Unrequited private transfer payments	52	64	49	46	45	49	52	56
Balance on capital account	105	232	226	227	182	123	148	214
Unrequited official transfer payments	37	74	61	64	78	97	100	127
Long-term capital	67	91	43	59	61	21	17	60
Direct investment (net)	13	8	7	8	4	5	5	5
Portfolio investment (net)	-	-	-	-	-	-	-	-
Other long-term capital	54	83	37	51	56	16	12	55
Official sector ^c	52	26	33	30	53	10	-5	34
Loans received	47	32	38	36	63	36	34	...
Amortization payments	-2	-6	-5	-5	-9	-16	-27	...
Commercial banks ^c	-	-	-	-	-	-	-	-
Loans received	-	-	-	-	-	-	-	-
Amortization payments	-	-	-	-	-	-	-	-
Other sectors ^c	3	57	4	20	3	6	17	21
Loans received	10	61	8	27	20	14	21	...
Amortization payments	-7	-4	-5	-7	-18	-8	-3	...
Short-term capital (net)	-1	-2	-12	2	6	5	7	27
Official sector	2	-	-	1	11	17	23	...
Commercial banks	-3	-2	-12	2	-5	-12	-16	...
Other sectors	-	-	-	-	-	-	-	-
Errors and omissions (net)	2	68	134	102	38	-2	24	-
Global balance^d	-35	-9	38	22	-21	-71	-20	36
Total variation in reserves								
(- sign indicates an increase)	26	50	3	32	5	5	...	-36
Monetary gold	-4	2	1	-	-	-	-1	...
Special Drawing Rights	4	3	-	-1	1	...	-	...
IMF reserve position	6	-	-	-	-	...	-	...
Foreign exchange assets	22	15	-16	10	-5	...	-1	...
Other assets	-	-	-	-	-	-	-	...
Use made of IMF credit	-3	30	18	22	9	...	...	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aProvisional figures. ^bIncluding other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dEquivalent to the total variation in reserves (of opposite sign) plus counterpart items.

Table 11

HAITI: INDICATORS OF EXTERNAL INDEBTEDNESS^a

	1982	1983	1984	1985	1986	1987 ^b
Millions of dollars						
Disbursed public external debt						
Balances	410	551	607	600	697	741
Government	282	402	454	453	496	517
Public enterprises	128	149	153	147	201	224
Disbursement	48	47	84	16	125	80
Servicing	17	23	37	31	35	46
Amortization payments	10	12	28	23	28	36
Interest payments	7	11	9	8	7	10
Percentages						
Ratios						
Public external debt/exports of goods and services	149.1	190.0	189.7	178.0	238.7	236.0
Debt servicing/exports of goods and services	6.2	7.9	11.6	9.1	12.0	14.6
Net interest payments/exports of goods and services	2.5	3.8	2.8	2.4	2.4	3.2
Debt servicing/disbursements	35.4	48.9	44.0	193.8	28.0	57.5

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti.

^aBalance of disbursed external debt, for terms of over a year, as of 30 September of each year.^bPreliminary figures.

Table 12

HAITI: TRENDS IN DOMESTIC PRICES

	1982	1983	1984	1985	1986	1987 ^a
Variation from September to September						
Consumer price index	6.2	12.2	6.1	15.0	-0.5	-13.8
Food	1.6	13.4	5.8	17.7	-1.9	-22.5
Variation between annual averages						
Consumer price index	9.0	8.8	8.0	8.4	8.5	-11.1
Food	4.7	7.2	8.5	7.8	11.7	-18.8

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti and the Haitian Institute of Statistics and Information Sciences.

^aPreliminary figures.

Table 13
HAITI: TRENDS IN WAGES AND SALARIES

	1982	1983	1984	1985	1986	1987 ^a
Gourdes						
Minimum daily wage ^b	13.0	13.2	13.2	15.0	15.0	15.0
Indexes (1980 = 100)						
Wages						
Nominal	118.2	120.0	120.0	136.4	136.4	136.4
Real ^c	100.8	94.0	87.1	91.3	84.8	93.6
Growth rates						
Wages						
Nominal	14.1	1.5	-	13.7	-	-
Real ^c	4.7	-6.7	-7.3	4.8	-8.5	11.1

Source: ECLAC, on the basis of figures supplied by the Haitian Institute of Statistics and Information Sciences.

^aPreliminary figures. ^bRefers to the minimum daily wage paid in industry. ^cDeflated on the basis of the consumer price index.

Table 14
HAITI: MONETARY INDICATORS

	September balances (millions of gourdes)				Growth rates		
	1984	1985	1986	1987 ^a	1985	1986	1987 ^a
Monetary base	1 351	1 500	1 687	1 805	11.1	12.5	7.0
Money (M ₁)	1 080	1 204	1 381	1 542	11.5	14.7	11.6
Quasi-money	1 261	1 365	1 493	1 615	8.2	9.4	8.2
Money plus quasi-money (M ₂)	2 341	2 569	2 874	3 157	9.7	11.9	9.8
Domestic credit ^b	3 834	4 274	4 338	4 545	11.5	1.5	4.8
To the public sector	2 482	2 809	2 800	2 916	13.2	-0.3	4.1
Central government (net)	2 298	2 586	2 653	2 768	12.5	2.6	4.3
Public institutions	185	223	147	147	20.5	-34.0	-
To the private sector	1 351	1 465	1 538	1 630	8.4	5.0	6.0
Coefficients							
Monetary multipliers							
M ₁ /monetary base	0.80	0.80	0.82	0.85			
M ₂ /monetary base	1.73	1.71	1.70	1.75			
Velocity of circulation							
GDP/M ₁	8.4	8.3	8.1	7.3			

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti.

^aPreliminary figures. ^bExcluding interbank operations.

Table 15

HAITI: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of gourdes				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	1 076	1 279	1 340	1 288	12.9	18.9	4.8	-3.9
Tax revenue	914	1 124	1 275	1 234	8.0	23.0	13.4	-3.2
Direct	141	154	150	128	10.0	9.1	-2.6	-14.7
Indirect	443	644	660	658	25.1	45.4	2.5	-0.3
On foreign trade	313	306	311	226	-10.4	-2.2	1.8	-27.4
Other taxes	17	20	154	221	13.3	17.6	670.0	43.5
Extrabudgetary revenue	162	155	65	54	51.4	-4.3	-58.1	-17.0
2. Current expenditure	1 776	1 804	1 780	1 783	7.7	1.6	-1.3	1.7
Budgetary expenditure	697	775	592	915	23.9	11.1	-33.6	54.6
Wages and salaries	448	494	522	656	14.8	10.0	5.7	25.7
Other current expenditure	249	281	70	260	44.6	13.1	-75.1	271.4
Extrabudgetary expenditure	1 079	1 029	1 188	868	-0.7	-4.6	15.5	-26.9
3. Current saving (1-2)	-700	-525	-440	-496				
4. Capital expenditure	214	209	182	221	-3.5	-2.3	-12.9	21.4
5. Total expenditure (2+4)	1 990	2 013	1 962	2 004	6.4	1.1	-2.5	2.1
6. Fiscal deficit (1-5)	-914	-734	-622	-716	-0.4	-19.7	-15.3	15.1
7. Deficit financing								
Domestic financing	413	184	145	44				
Central Bank	417	189	147	47				
Others	-4	-5	-2	-3				
External financing	159	34	91	111				
Donations	342	516	386	561				
Ratios (percentages)								
Current saving/capital expenditure	-327.1	-251.2	-241.8	-224.4				
Fiscal deficit/total expenditure	45.9	36.5	31.7	35.7				
Tax revenue/GDP	10.1	11.7	11.4	11.0				
Total expenditure/GDP	21.9	20.9	17.5	17.9				
Fiscal deficit/GDP	10.1	7.6	5.5	6.4				
Domestic financing/deficit	45.2	25.1	23.3	6.1				
External financing/deficit	17.4	4.6	14.6	15.5				
Donations/deficit	37.4	70.3	62.1	78.4				

Source: ECLAC, on the basis of figures supplied by the Bank of the Republic of Haiti.

^a Preliminary figures.

HONDURAS

1. Recent economic trends: Introduction and summary

In 1987 the gross domestic product grew by slightly more than 4%, which was the highest rate to be registered thus far in the 1980s. Thanks to this, after several years of deterioration, per capita income improved, although it was still below the level of the previous five-year period. Domestic prices were once again quite stable, and inflation was thus less than 3%. In contrast, imbalances in the external sector grew sharper as a result of a steep drop in the terms of trade. For the same reason, national income remained constant in spite of the increase in the gross domestic product (see table 1 and figure 1).

The growth of the product was fueled mainly by the agricultural sector, and especially by its greater output of coffee and bananas. Somewhat smaller increases also occurred in the levels of activity in manufacturing (particularly in respect of building materials), commerce and government. As for demand, the fastest-growing components were general government consumption, exports of goods and services and private investment.

This favourable trend was the result of various policies, including a credit policy designed to assist such activities as agriculture and construction and the export promotion policy, which provided for a more efficient use of external funds and the creation of institutional structures that permitted the private sector to benefit from special incentives for the production of non-traditional items.

The steep decline in the terms of trade was principally due to the drop in the international price of coffee, which is one of the country's two most important export products. This decrease completely cancelled out the positive effect of the larger volume of exports. The deterioration in external prices was also one of the main reasons why the country fell into arrears in its 1987 external debt payments, since it was not feasible for it to obtain the necessary resources to offset its trade losses. In fact, the country even failed to meet its obligations with international agencies. Nevertheless, thanks to these arrears and to the rescheduling of foreign liabilities, it was possible for Honduras to finance its imports and, in addition, to raise its level of reserves.

In order to ease the difficulties facing exporters the government adopted a package of compensatory measures whose main components were special tax breaks for coffee traders and banana exporters. These measures resulted in a large fiscal deficit (although it was lower than that of the preceding year), and this made it necessary to adopt another set of measures designed to put public-sector finances on a sounder footing by means of a stricter control of central government expenditure. However, due to domestic political pressure, the level of expenditure nonetheless exceeded the targets set by the authorities, except in the case of investment, which showed a steep drop.

The enormous burden represented by the country's interest payments on its domestic and external debts compounded the above situation. Moreover, and in spite of the fact that the central government limited its transfers to the rest of the public sector, it was obliged to pay part of the external debt contracted by some public enterprises which were unable to do so. Faced with a smaller supply of external resources, the central government resorted to giving the Central Bank a greater role in financing the deficit. Thus, the policies applied in 1987 had the effect of transferring some of the costs of the crisis to the most needy sectors of the population.

Monetary policy was clearly expansionary, since, in addition to the financing of the public-sector deficit, domestic credit was also significantly increased with a view to stimulating production sectors and, by this means, maintaining the growth of domestic demand. The increase in credit to the private sector was due to the two-point reduction made in interest rates on loans and to the support provided for private housing construction by means of, *inter alia*, the creation of special bonds which were issued by commercial banks for use in this sector.

Figure 1
HONDURAS: MAIN ECONOMIC INDICATORS

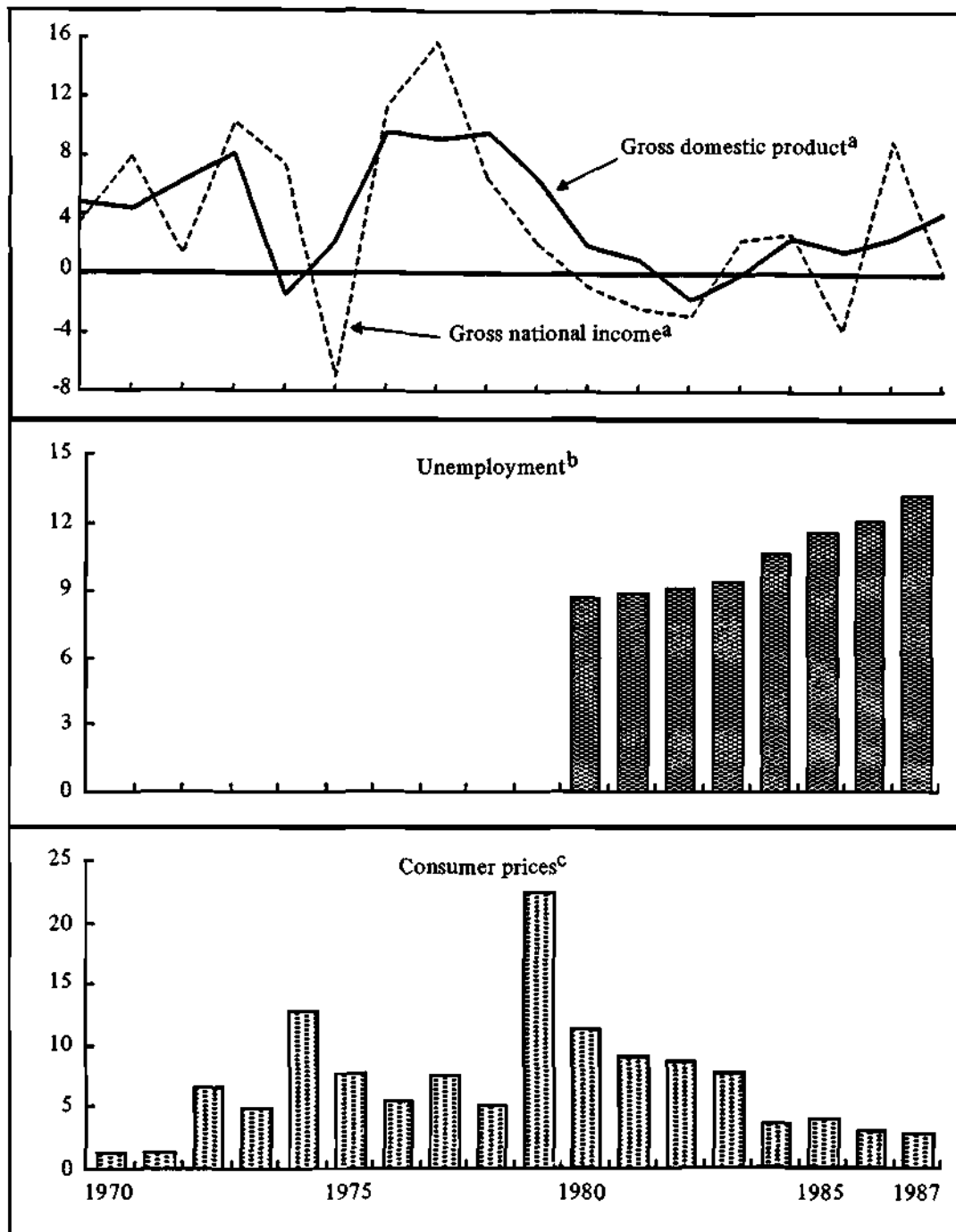
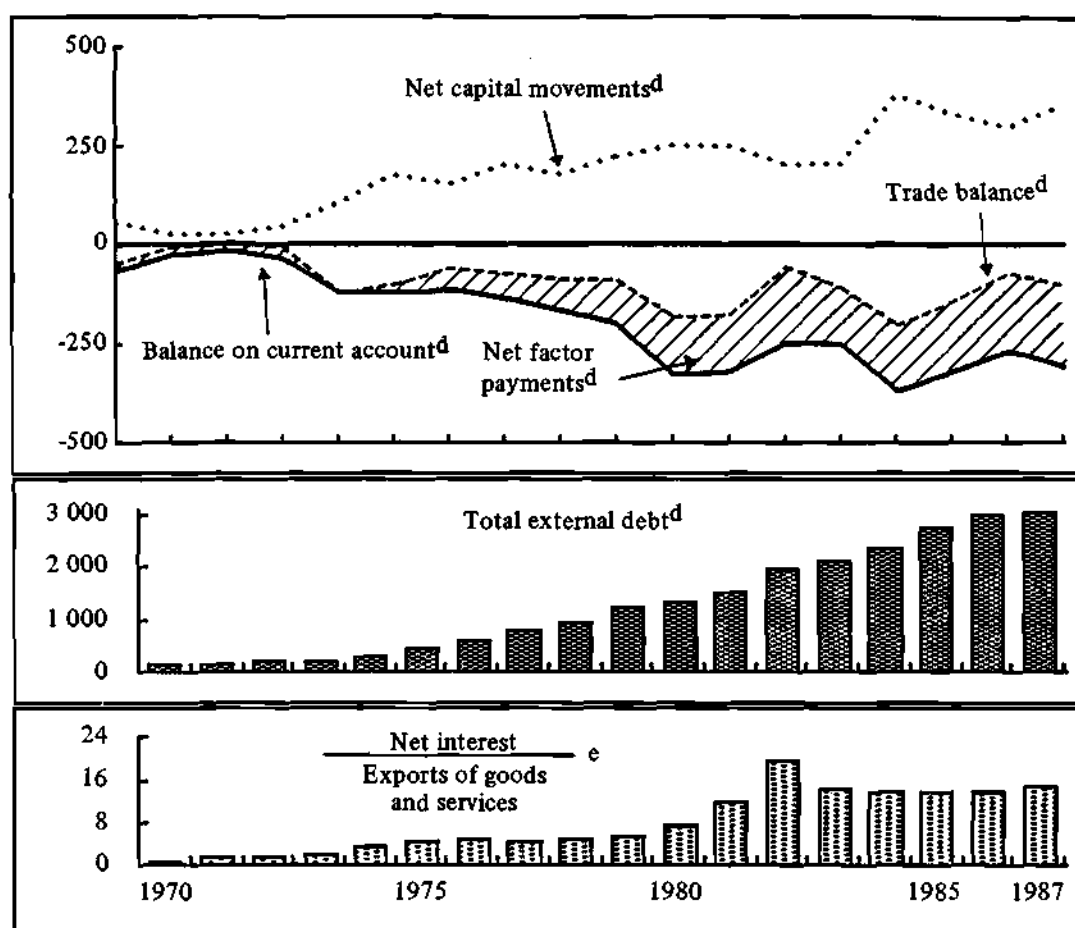


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate. ^bAverage annual rate for whole country. ^cPercentage variation from December to December. ^dMillions of dollars. ^ePercentages.

Nevertheless, the growth in the means of payment, which was greater than that of the product in current values, did not affect domestic prices, at least during 1987. This was due, among other reasons, to the stability of import prices, which are a very significant factor in Honduras because the imported component of supply represents a large proportion of total supply (almost 35%). This stability in import prices stemmed, in turn, from the maintenance of the fixed exchange rate (a rate of two lempiras per dollar has been in effect for almost 70 years). The streamlining of import procedures and the entry of unregistered imports were also contributing factors. Any impact which this greater private-sector liquidity might have had on international reserves was probably offset by the reduction in the outflow of foreign exchange resulting from the suspension of the payment of external debt service commitments.

The low level of inflation was also due to the greater supply of foodstuffs (with the exception of beans), the maintenance of domestic fuel prices and the drop in interest rates. Finally, wage costs either held steady or increased only slightly, since nominal minimal wages remained frozen for the fifth consecutive year, and the salaries of wage earners covered by collective contracts did not rise significantly. Consequently, real wages continued to follow the downward trend which had begun in 1985.

The real exchange rate rose slightly in 1987, thereby reversing its trend of the period 1980-1986, when the currency had steadily appreciated owing to the increase in domestic prices. This was

caused partly by the country's lower rate of inflation in comparison to most of its major trading partners and by the depreciation of the dollar on the international market. However, devaluations of the currencies of the other Central American countries continued to place Honduran products at an increasing disadvantage on these markets and to encourage the unregistered entry of merchandise.

2. Trends in economic activity

a) *Total supply and demand*

Total supply grew by slightly more than 2% and the gross domestic product rose by over 4% (see table 2). Imports remained virtually stagnant, in constant values, as a result of two conflicting trends. On the one hand, the scarcity of foreign exchange made it necessary to strictly control the use of these resources while, on the other hand, a number of emergency purchases had to be made of some basic consumption items, such as rice, and agricultural equipment.

The growth of total demand was principally due to its external component, since a large volume of coffee, bananas, and some non-traditional products were sold abroad.

As for domestic demand, gross fixed investment expanded more rapidly than did total consumption, while stocks decreased. Household consumption went up by less than 1%, which was considerably less than the population growth rate; in contrast, government consumption rose by more than 9% in spite of the administration's initial decision to restrict its expenditures. This was due to various factors, including an increase in spending on defence and in some social sectors such as health and education (in the latter case, this was accounted for by the expansion of primary education services).

Opposing trends were to be observed in investment, since it grew at a rate of almost 6% in the private sector but fell once again in the public sector, although less sharply than in the preceding two years. This drop in public investment was due to the shortage of national counterpart funds and to the discontinuance of flows from multilateral financial agencies; accordingly, the policy followed in this regard was one of completing works already in progress while refraining from beginning new projects.

b) *The main sectors*

The gross domestic product increased considerably in 1987 and, for the first time in the 1980s, the growth rate of the per capita product was positive. This was mainly due to the stimulus provided by the agricultural sector in respect of both export crops and production for the domestic market as well as of the livestock subsector. Government services were the activity that recorded the second largest increase, thanks to the expansion of social services (such as education and health, in keeping with some of the targets set by the administration) and of those of security and defence (see table 3).

The performance of the mining sector was in sharp contrast to the above activities, as it was the only sector to show a decrease.

i) *Agriculture.* Agriculture expanded steadily at a rate of more than 7%. This growth was based, above all, on the production of coffee, bananas and non-traditional export products (wood, fruit and African palm). The production of basic grains dropped, however, due to the smaller harvests of maize and, especially, of the late crop of beans. It therefore became necessary to import this last item towards the end of the year (see table 4).

Positive events in this sector included an increase in agricultural credit and the establishment, to this end, of preferential interest rates by the Central Bank. Weather conditions were also favourable.

As regards financial assistance for private-sector agriculture, a project aimed at strengthening organizations formed by small-scale farmers was launched with the technical and financial co-operation of the United States Agency for International Development (USAID). The goal of this project was to establish a mechanism for providing productive resources to farmers belonging to co-operatives.

The increase in coffee production was mainly due to an ongoing policy of supplying technical support for small-scale coffee-growers with the help of external co-operation. Since coffee

production spread out among about 40 000 growers, this expansion represented an increase in purchasing power which, as indicated earlier, had favourable effects on private consumption. Unfortunately, the jump in production coincided with a sharp drop in international prices.

Banana production increased considerably due to the favourable weather conditions already mentioned, the absence of labour problems during the year and incentives for banana exports.

There were significant reductions in the taxes applying to both of these export products. In the case of coffee, because of the notable drop in the international price, a decision was taken to exempt all sales made at prices lower than 200 lempiras per quintal from the export tax on this product. The full effect of this measure will be felt in 1988. In the case of bananas, exports in excess of 38.5 million 40-pound boxes were also exempted from taxes, and quotas were assigned to each firm.

The production of non-traditional exports expanded notably, mainly because the policy of promoting this type of export was strengthened.

Beef production has been stagnating since 1982. In response to the drop in international prices, the packing houses have reduced the price they pay to producers and, partly because of this (according to official sources), it has been difficult to stop the illegal sale of cattle to neighbouring countries, given the impossibility of offering competitive domestic prices. Slaughter-house capacity has declined, and many plants have had to close.

ii) *Forestry*. In 1987 a major reforestation policy was initiated which focused chiefly on the southern zone of the country, where the greatest amount of forested area has been lost. A good performance was turned in by forestry exports, which were probably stimulated by the privatization of the companies that market forestry products abroad. This policy of changing such firms over to private ownership was adopted in an effort to recover productivity levels in the forestry sector.

iii) *Mining*. Mining and quarrying output dropped for the second consecutive year. This was partly a result of the fact that the relatively low prices paid for many metals (silver, lead and zinc) on international markets, during the 1980s have discouraged their production, but the main reason was that the largest mine in the country shut down for several months, which led the authorities to adopt a number of measures to encourage its reopening. In October, after the approval of reforms to the Mining Law, it was agreed to reopen the mine under a new name. The reforms included modifications in the system for paying royalties, exemptions from export and import taxes on machinery and inputs, and authorization for 60% of the foreign exchange generated by this activity to be retained abroad.

iv) *Manufacturing*. Manufactures regained their former production level, chiefly because of the dynamism of products for use in construction and of some mass consumer goods. Among the former, notable increases were seen in the output of asbestos-cement panels and iron rods and, among the latter, in the production of cloth (see table 5). In respect to this last item, the country has a significant amount of idle capacity, since some projects had been carried out in the early 1980s to create an infrastructure for expanding the production of cloth for both the domestic and external markets. However, it proved to be unfeasible to increase cloth exports, principally because of the persistence of the relatively depressed situation of the Central American Common Market and the weakness of the currencies of the other countries of the subregion with respect to the Honduran lempira.

v) *Construction*. The year 1987 saw a significant reactivation of construction after the steep drop of the previous year. Although in real terms the value added by this sector was less than in other years, its increase represented a noticeable recovery, especially in view of the recent completion of many large-scale public projects. Therefore, the expansion of this sector was due exclusively to private activity and particularly to residential construction (see table 6). The issuance of a new type of housing bond in 1987 provided significant support for residential construction loans. This activity was also assisted by the signing of an agreement with USAID for US\$35 million in December 1986.

Public-sector construction has dropped sharply in recent years, especially after the completion of the El Cajón hydroelectric project, which marked the end of an intensive phase of public construction. The government's austerity programme and the lack of external resources were once again decisive factors in this contraction.

vi) *Electricity*. Electrical power production climbed substantially during 1987 due to greater sales to neighbouring Central American countries as well as to the growth of domestic demand (see table 7). Nevertheless, despite this very favourable result, the National Electricity Corporation (ENEE) went through a period of serious financial problems resulting partly from the ending of the

grace periods on loans contracted with international financial agencies and partly from the crisis situation in Central America. Consequently, in 1987 the government had to meet a large part of the amortization payments on the ENEE foreign debt.

vii) *Other services.* All the remaining economic activities grew. The rise in the value added by the government was particularly large due to the increase in current spending in the areas of security and defence, in terms of both employment (which is the item of expenditure reflected in the value added) and the acquisition of non-personal goods and services. The next largest increase was in banking activity, as a result of the greater use of credit.

c) *Employment*

The open unemployment rate went up slightly during the year (from 12% to 13%) as a consequence, among other reasons, of the fact that although the construction sector (which generally absorbs a large quantity of manpower) did expand, it did so at a slower rate than the population. Furthermore, unlike the period during which El Cajón was being constructed, no large-scale public work was begun in 1987 (see table 8). Also, as a result of the combined effects of the economic crisis and political tensions, there has been a marked increase in recent years in the floating population of other Central Americans in Honduras, and this was reflected in the levels of unemployment and, particularly, underemployment.

3. The external sector

The external imbalance continued to be one of the most serious problems of the Honduran economy in 1987. On the one hand, the deficit on current account grew considerably and, on the other, the country fell into arrears in its payments on both the principal and interest on some foreign loans. The end of the grace period on public-sector loans placed the country in a particularly difficult situation as regards the commencement of the corresponding amortization payments (see table 9).

Other factors also hindered efforts to lessen the disequilibria in the country's balance-of-payments accounts. Firstly, the level of official transfers (particularly those of a bilateral nature and especially those from USAID) was lower in 1987 than in 1986. Secondly, although the real effective exchange rate rose (see table 10) and exports expanded in terms of volume, the considerable drop in the international price of coffee caused the value of current exports of goods to decrease. Moreover, merchandise imports went down slightly both in value and in volume.

The terms of trade deteriorated sharply, mainly, as already indicated, because of the drop in coffee prices, which was not offset by the prices of other goods (see table 11).

a) *Merchandise trade*

In spite of the attempt made to increase exports, the merchandise trade balance showed a deficit even though the volume of exports climbed by 6% in real terms. This deficit was due exclusively to the drop in export prices. The volume of sales of bananas, coffee and wood increased, as did those of non-traditional goods, thanks to the efforts made to expand sales of new products. A steep drop was seen in both the value and volume of mineral exports, mainly as a result of the closing of the main foreign-owned mining company (see tables 12 and 13).

The country's foreign trade policy was very active in 1987 and was aimed at boosting such trade in order to correct the serious imbalances of recent years. Various mechanisms were used to implement its main components, which were the promotion of exports and the reorganization of the import system.

In the first place, a three-year financial assistance programme was negotiated with USAID to stimulate exports. The activities provided for under this programme centred on the creation of legal structures designed to encourage the private sector to expand its exportable production. In addition, the use of external resources (supplied by USAID) was facilitated as a means of contributing to the export promotion programme by extending the repayment period for working-capital loans and by making the local currency support mechanism more flexible.

In the second place, in January a centre for export formalities was created whose main purpose was to make it possible for exporters to complete all the paper work required for exports in a single

place. In April, two laws were passed for this purpose: the first created what were referred to as "industrial zones for export processing" and the second (the Export Promotion Act) repealed the previous law and restructured the benefits to be provided on the basis of criteria designed to ensure that the firms receiving such benefits would contribute to the solution of the social and economic problems of the country.

In the third place, the law establishing incentives for the banana industry was reformed and the taxes on coffee exports were lowered. In the former case, the modification of the law was intended to encourage banana production by making exports in excess of 38.5 million crates tax exempt. The tax rate on coffee was reduced in November in line with the drop in coffee prices on the international market. Because of expectations in 1986 of an increase in international coffee prices, exporters had accumulated stocks and postponed the sale of a significant volume of this product on the assumption that the upward trend in prices would continue. Thus, when these prices dropped sharply in 1987, the sector was granted special treatment to make up for its losses.

Lastly, in November 1987 a new import/export duty was approved with the passing of the Honduran Customs Duties and Tariffs Regime Act, which will allow the provision of protection to productive activities according to the degree of processing involved in the goods in question. At the same time a new law concerning the customs valuation of merchandise was approved. This law, which was based on the Brussels Tariff Nomenclature, will permit the modernization of the valuation system. A temporary customs clearance law also went into force which simplified and expedited the procedures for the free importation of raw materials and capital goods to be used in the manufacture of exportable products for sale to other markets.

Moreover, efforts to open up new markets were continued, and this led to the signing of trade agreements with Czechoslovakia and the Soviet Union and to the country's adherence, on a provisional basis, to the General Agreement on Tariffs and Trade (GATT).

As a consequence of the substantial increase in banana exports and the rise in international banana prices, earnings from such sales were considerably higher than in 1986. This was also partly due to the fiscal incentive provided for business enterprises, which consisted of the total exemption from taxes of external sales that represented an increase in exports. In addition, as part of the effort being made to diversify markets, some shipments of bananas were sold to the European market without the involvement of transnational corporations.

Coffee remained in second place in terms of its ranking among the country's export items since, although the volume of sales increased significantly, the earnings from these sales were lower. In spite of the drop in prices, however, the revenue from coffee exports exceeded that recorded in any other year of the decade except for 1986. The temporary suspension of the quota system, which meant that coffee trading was determined entirely by supply and demand, seriously affected the country's foreign exchange earnings from exports of this product. The increase in export volume was the result of the greater productivity of coffee growing made possible by producer assistance programmes sponsored by the Honduran Coffee Institute (IHCAFE).

Exports of wood and wood products increased, as in the case of bananas, both in volume and in value. This was partly due to the rise in international prices, which coincided with a higher level of domestic production, especially of pine. The increase in the exports of this product reflected the improvement of governmental controls aimed at preventing illegal sales. The official policy has been directed towards avoiding exports of unprocessed timber and encouraging the sale of wood products involving a greater value added. The substantial increase in exports of finished products (from 26 million to 33 million board feet) was a notable accomplishment in this connection. The State's involvement in the marketing and processing of wood decreased markedly as government action was increasingly confined to a greater extent of control over the management of forests and over the certification of exports. As part of this privatization policy, at the beginning of the year the storage yards near Puerto Cortés, which are equipped with the necessary machinery for the initial processing of timber, were rented, with a purchase option to the private sector. Since 1986 a tax policy on wood exports has been in place which represents an important concession to marketing sectors.

Earnings from exports of chilled meat climbed by 5%, thanks to a considerable increase in the international price, which offset the more than 15% decrease in the volume exported.

Higher sales were registered in non-traditional exports, especially in wood manufactures, fruit pulp and paste, African palm oil, cigars or cigarettes, and grapefruits and pineapples.

Merchandise imports grew, basically as a result of the greater demand for construction materials, consumer goods, and fuels and lubricants. The increase in imports, and in the propensity to import in general, reflected the combined effect of the economic reactivation seen in 1987 and the repercussions of various measures, such as that which permitted importers to use a self-financing mechanism, the reduction of import duties on automobiles, the Temporary Import Clearance Act and the progressive simplification of export permits (see table 14).

Exports to Central America increased after several years of declines. Nevertheless, it continued to be difficult to trade with this zone because of the exchange, trade and tariff measures that have been adopted by the countries of the subregion. This led to bilateral negotiations—which resulted in a temporary suspension of bilateral agreements and of talks concerning pending agreements—with a view to the establishment of mechanisms for counteracting the negative effects of such measures on Honduran exports. A number of measures and agreements were ultimately adopted, such as that signed by the central banks of Honduras and Guatemala, which created a clearinghouse for trade between the two countries following Guatemala's withdrawal from the Central American Clearinghouse (CCC). For similar reasons, a special procedure was also established for trading with El Salvador and barter trade was resumed with Nicaragua.

b) *The deficit on current account and its financing*

The deficit on current account rose by somewhat more than 25% in relation to the previous year, as a result of the merchandise trade imbalance and the increase in payments for non-factor services. The net outlay to foreign factors, however, did not represent a substantial increase over 1986.

Since payment was not made on some interest commitments during the year, there were no difficulties in financing the deficit on current account. If the financing attributable to the delay in debt payments is excluded, then the net flow of capital *vis-a-vis* the exterior was negative in 1987. Almost no credit was received from international agencies while, on the other hand, payments were made on the country's short-term debt with the International Monetary Fund.

In contrast, official transfers, especially those received from USAID, continued to be a very important factor in the financing of the balance of payments although in relative terms their level was lower than in 1986.

c) *External indebtedness*

As in 1986, the debt service exceeded disbursements, since the latter amounted to barely US\$441 million whereas the former totalled US\$526 million. These amounts may, however, be underestimates, since the figures for servicing include only the medium- and long-term debt.

The balance of the total medium- and long-term external debt reached US\$3.1 billion. Thus, the debt did not grow significantly in relation to its 1986 level, especially in view of the fact that part of the increase was due to the arrears in payments on some loans (see table 15).

Negotiations concerning the payment of the government-guaranteed external debt contracted with commercial banks continued in 1987. In June, the first phase of negotiations on a new preliminary agreement was concluded; the terms of the agreement provided for the refinancing of the principal over a 14-year period, with six years of grace, and of a portion of the interest over a six-year period, which included two years of grace. Arrangements for the renegotiation of bilateral loans were also pursued.

For the first time, some obligations with multilateral agencies were not met. Since these credits cannot be renegotiated, the country found itself in a very delicate situation.

The ratio between the total external debt and exports of goods and services continued to climb in 1987, reaching a level almost 80% above that of 1981. Nevertheless, the debt situation in this respect was still manageable, since net external interest payments represented only slightly more than 15% of Honduran exports of goods and services.

4. Prices and wages

a) *Prices*

In 1987, the variation between the annual averages of the consumer price index was only 2.5%, which was lower than in 1986 (see table 16). A fundamental part of the explanation for the low level of inflation was undoubtedly the maintenance of the official exchange rate. This meant that the domestic price index basically reflected the variations in the price indexes of the country's principal trading partners.

Another important factor in the containment of domestic prices was the streamlining of import procedures through the issuance of import permits financed by the purchasers themselves. Another significant element in this respect was the supply of foreign goods brought into the country illegally.

The supply of basic consumer products was normal, with the sole exception of that of beans towards the end of the year, due, as mentioned earlier, to the loss of the late crop of this staple. The agency in charge of distributing basic grains and regulating their prices played a decisive role in 1987 in maintaining the level of prices for these products. The subsidy provided for wheat imports also continued to be an important factor in holding down price rises.

Lastly, the interest-rate policy on bank loans probably had something to do with the low rate of inflation as well, since it reduced final users' financial costs (generally, the maximum interest rates on loans went down by two percentage points).

b) *Wages*

Very few statistics on average wages have been compiled. Although information on legal minimum wages is available, the wages of both public and private sectors belonging to organized trade unions are adjusted on the basis of collective contracts which set them at levels far higher than legal wages.

According to official information on average wages in three zones (Tegucigalpa, San Pedro Sula and the rest of the country) obtained from a sample of representative firms, the average real wage rose during the period 1983-1984 but has declined steadily since then. Furthermore, legal minimum wages have not been modified since 1981, and therefore, in spite of the fact that price increases have been relatively moderate, the real minimum wage has deteriorated considerably in recent years (see table 17).

As is well known, the public-sector salary scale is determined by the structure of the civil service. In 1984 a quite drastic wage policy was adopted which prohibited wage increases at all government levels. Nevertheless, in 1987 large adjustments were granted in the health and education sectors, whose trade unions and associations have great political influence. In the health sector it was necessary to comply with the Medical Statute, which had set very high salaries for these professionals two years earlier and this prompted the rest of the workers in the health sector to pressure for better pay as well. The effect was an increase of more than 5% in real terms in public-sector remunerations, which followed upon similar increases in previous years.

No major labour conflicts arose in 1987. Moreover, almost all the minor disputes that did occur were resolved satisfactorily, with only one, within the education sector, requiring arbitration. The most serious case was that of the El Mochito mine, which closed down and, as a result, dismissed all its personnel. This mine was later re-opened by another transnational corporation which operates on the basis of individually-negotiated contracts for specific tasks.

5. Fiscal and monetary policy

a) *Fiscal policy*

The financial policy of the government reflected an attempt to follow the guidelines of the 1987 economic programme by using stricter controls to hold down spending, especially current expenditure. To this end, the operating budget of each State agency was cut by 10%; accordingly, the purchase of vehicles and equipment was suspended, *per diem* allowances were reduced and overtime

pay was eliminated. The effects of these measures became apparent towards the end of 1987. The government also tried to modernize the civil service, mainly by means of a more stringent monitoring of tax collection and institutional reforms.

Nevertheless, not all of these objectives were achieved. Although the central government's fiscal deficit, when measured as a percentage of the gross domestic product, was reduced, this was only because of its increased tax receipts. In sum, the government was fairly successful in meeting its targets for tax revenues and for the containment of capital expenditure, but fell short of its goal with respect to its initial aim of reducing current expenditure (see table 18).

A striking feature of public finances was the significant increase in tax revenue, particularly from direct taxes (see table 19). This was due, in part, to the reactivation of the economy, but it was also the result of greater efforts to improve the tax collection system. The steps taken in order to increase government revenue were set out in what was referred to as a "tax administration improvement plan", which was applied by all the various State tax collection agencies. Some of the most significant measures were the implementation of a new tax withholding system and the establishment of measures for controlling contraband and tax evasion.

Indirect taxes rose but at a slower rate than direct taxes. One highly positive factor was the greater revenue obtained from the differential between the price at which petroleum was purchased from international suppliers and the price paid by consumers (the latter is usually set by the Administrative Petroleum Commission). This differential, of about 100 million lempiras, provided some financial relief for the central government. However, the tax exemptions provided for by export promotion measures caused receipts from some sources to be lower than expected.

As regards capital outlays, a striking reduction was seen in real investment (see table 20) as a result of the combined effect of the austerity policy and the growing difficulty of obtaining and mobilizing external resources. In spite of the above, the government proceeded with various projects that were already underway, such as the construction of a number of different access roads and highways, the improvement of the Roatán Airport, the building of health centres in various parts of the country, and the construction of warehouses for storing such diverse articles as medicines and insecticides.

The payments which the central government had to make on behalf of decentralized bodies and municipalities that were having difficulties in fulfilling their obligations on government-guaranteed loans continued to represent a drain on its finances, although to a lesser extent than before. These payments corresponded chiefly to the National Electricity Corporation (ENEE) and semi-public cement companies.

The government's intention to exercise a selective form of control over expenditures could not be fully carried out in the case of current spending, despite its plan to freeze wage increases and create new jobs. Thus, current expenditures grew by about 11% altogether, partly because of trade union pressure in the health and education sectors. As a result of such pressure, wage increases and bonuses were granted, teaching jobs were created and personnel who had previously worked on a contract or daily basis —and who, consequently, had not obtained certain social benefits received by permanent workers— were incorporated into the civil service system (which regulates the activities of all public servants).

It also proved impossible to hold down the increase in spending on the purchase of goods and services, as required by a decree issued for this purpose, and military expenditures on such items continued to climb.

Interest payments on both the domestic and external debts grew at a rapid rate during the year, and the proportion of total current expenditure which they represented increased substantially, thereby further restricting the entire public sector's sphere of action.

On the other hand, the upward trend in the current transfers made by the central government became less marked, particularly in the case of the transfers to decentralized bodies which are channelled through the Ministries of Education, Labour and Social Security, Natural Resources and Tourism.

Fiscal policy was directed towards providing support for the productive sector and especially for exports; to this end, a number of provisions, which have been discussed above, were approved. As part of the measures taken to encourage exports, treasury authorities issued export development certificates totalling an amount three times higher than the year before and extended their uses to

include the payment of indirect taxes. Moreover, taxes on banana and coffee exports were also reduced. The drop in revenue from taxes on coffee exports will begin to be felt in 1988 and could cause serious financial problems for the central government. Finally, the taxes on imports of agricultural vehicles and tractors were lowered as well.

The central government's deficit was financed almost entirely by Central Bank resources because of the more limited availability of external funds, and this was one of the main factors contributing to the expansion of the monetary base.

b) *Monetary policy*

The authorities' 1987 monetary policy was expansionary since, in addition to the financing required by the central government to cover its large deficit, there was a notable increase in credit to the private sector as a result of the policy aimed at encouraging production. Due to this expansion of credit, private-sector liquidity increased. Thus, the means of payment rose by almost 18%, thereby outstripping the growth of the economy and its monetary needs.

Consequently, monetary policy fell far short of achieving its purpose as a stabilizing influence, since there was an excessively large expansion in nominal terms in net domestic assets, which increased by a much higher percentage than provided for in the country's original monetary programme and the rate registered in 1986. Thus, domestic credit, and especially that extended to the public sector, increased at an unusually rapid rate, partly because of the conversion of a portion of the external debt to domestic liabilities. Nevertheless, because of the drop in inflation, real interest rates went up.

Central Bank rediscount rates on agricultural production loans remained very low (6% as against 8% for production loans in general). The rates paid by the final users of these two types of credits were usually about 11% and 12%, respectively. Nevertheless, maximum interest rates continued to be quite high in real terms.

It is important to underscore the role played by the special bonds that were issued by commercial banks as a means of providing medium-term financing for housing. The bank reserve requirement for this type of instrument was set at 10%, whereas the reserve requirement applying to most other activities was 32%. The reactivation of the construction sector was partly due to the use of this new instrument.

Table 1

HONDURAS: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
A. Basic economic indicators							
Gross domestic product at market prices (index: 1980 = 100)	100.9	99.1	99.0	101.4	103.0	105.5	109.9
Gross national income (index: 1980 = 100)	97.6	94.7	96.8	99.3	95.4	104.0	104.0
Population (thousands of inhabitants)	3.80	3.94	4.09	4.23	4.38	4.53	4.68
Per capita gross domestic product (index: 1980 = 100)	102.1	98.0	99.1	94.3	87.5	84.0	82.6
Growth rates							
B. Short-run economic indicators							
Gross domestic product	0.9	-1.8	-	2.4	1.5	2.5	4.2
Per capita gross domestic product	-2.6	-5.3	-3.6	-1.1	-1.9	-0.8	0.9
Gross national income	-2.4	-2.9	2.3	2.7	-3.9	9.0	0.1
Rate of unemployment	9.0	9.2	9.5	10.7	11.7	12.2	13.3
Consumer prices							
December to December	9.2	8.8	7.8	3.7	4.2	3.2	2.9
Variation between annual averages	9.4	9.0	8.3	4.7	3.4	4.4	2.5
Money	4.4	10.9	14.2	4.1	1.4	8.5	17.9
Current government income	-2.3	3.9	1.0	22.0	12.1	8.4	11.8
Total government expenditure	0.2	23.5	19.2	22.2	4.8	5.1	3.6
Fiscal deficit/total government expenditure ^b	41.4	51.6	50.9	52.4	49.1	47.5	43.3
Fiscal deficit/gross domestic product ^{b,c}	7.8	12.2	10.0	11.3	8.9	7.8	6.7
Current value of exports of goods and services	-6.2	-13.2	4.4	6.9	7.3	10.9	-3.4
Current value of imports of goods and services	-5.8	-22.4	10.9	16.2	0.2	2.8	-0.1
Terms of trade (goods and services)	-10.2	2.7	1.0	2.0	-13.2	20.4	-10.6
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-177	-56	-111	-204	-144	-73	-107
Net payments of profits and interest	-153	-202	-152	-178	-190	-211	-222
Balance on current account	-321	-249	-254	-372	-322	-271	-313
Balance on capital account	249	203	207	382	333	300	355
Variation in international reserves (net)	-69	-53	-39	...	...	43	42
Total disbursed external debt ^d	1 588	1 986	2 162	2 392	2 794	3 018	3 101

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cThe sum used for the fiscal deficit is the net figure; does not include debt amortization payments.^dTotal medium- and long-term external debt.

Table 2

HONDURAS: TOTAL SUPPLY AND DEMAND

	Indexes 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total Supply	96.7	100.6	102.9	145.1	135.9	4.7	-0.4	4.0	2.3
Gross domestic product at market prices	103.0	105.5	109.9	100.0	100.0	2.4	1.5	2.5	4.2
Imports of goods and services ^b	82.8	89.8	87.5	45.1	35.9	10.9	-5.5	8.4	-2.5
Total demand	96.7	100.6	102.9	145.1	135.9	4.7	-0.4	4.0	2.3
Domestic demand	94.2	100.5	101.7	107.4	99.4	6.3	-5.8	6.7	1.2
Gross domestic investment	57.9	66.6	64.3	24.5	14.3	29.9	-26.6	15.1	-3.5
Gross fixed investment	84.8	73.7	75.8	24.2	16.7	20.2	-3.5	-13.1	2.9
Construction	96.5	88.6	90.4	11.9	9.8	-1.7	-1.8	-8.2	2.0
Machinery	73.4	59.3	61.7	12.3	6.9	65.2	-5.6	-19.3	4.1
Public	124.1	89.9	89.4	9.4	7.6	34.8	-14.1	-27.5	-0.6
Private	60.1	63.4	67.3	14.9	9.1	1.1	14.9	5.6	6.0
Variation in stocks									
Total consumption	104.9	110.5	112.7	82.9	85.0	2.2	-1.2	5.4	2.1
General government	109.4	115.0	125.7	13.3	15.2	3.7	5.3	5.2	9.3
Private	104.0	109.6	110.3	69.6	69.8	1.9	-2.4	5.4	0.6
Exports of goods and services ^b	104.0	101.0	106.5	37.7	36.5	-0.1	16.7	-2.9	5.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bThe figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in dollars at current prices, which were then converted to constant 1980 values using unit value indexes calculated by ECLAC for that purpose.

Table 3

**HONDURAS: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY,
AT 1980 MARKET PRICES**

	Indexes 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	103.0	105.5	109.9	100.0	100.0	2.5	1.5	2.5	4.2
Goods	105.0	105.1	109.8	48.3	48.2	3.8	0.7	-	4.5
Agriculture ^b	106.9	108.7	116.5	24.5	26.0	1.2	2.9	1.7	7.2
Mining	134.8	130.3	113.6	2.1	2.2	11.5	2.3	-3.4	-12.8
Manufacturing	105.0	105.5	109.7	15.7	15.7	8.4	-2.2	0.5	3.9
Construction	86.9	79.7	81.3	6.0	4.4	-1.3	-1.8	-8.2	2.0
Basic services	122.8	129.9	135.3	8.3	10.3	3.0	2.0	5.8	4.2
Electricity, gas and water	112.2	122.4	122.4	1.9	2.1	4.0	5.8	9.1	-
Transport, storage and communications	125.9	132.1	139.1	6.4	8.1	2.7	1.0	4.9	5.3
Other services	97.8	102.3	106.5	40.3	39.0	-	3.1	4.6	4.2
Commerce, restaurants and hotels	82.2	87.1	88.7	15.3	12.3	-4.0	0.2	5.9	1.9
Financial institutions, insurance, real estate and business services	113.8	118.4	123.6	10.6	12.0	2.8	4.6	4.1	4.3
Ownership of dwellings	121.5	125.8	130.1	4.9	5.8	-3.3	7.6	3.6	3.4
Community, social and personal services	102.5	106.5	112.9	14.3	14.7	1.4	4.5	3.9	6.0
Government services	115.1	120.7	131.0	4.3	5.1	7.4	7.9	4.8	8.6

Source: ECLAC, on the basis of official figures which were reweighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries, which were calculated at constant prices.

^aPreliminary figures. ^bIncluding stock-raising, forestry and fishing.

Table 4

HONDURAS: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Indexes of agricultural production^b (1980 = 100)	100.0	103.8	106.9	108.7	116.5	1.3	2.9	1.7	7.2
Crop farming	100.0	102.2	106.1	107.0	114.8	1.6	3.9	0.8	7.3
Stock raising	100.0	106.2	111.0	115.9	120.7	2.0	4.5	4.3	4.2
Poultry raising	100.0	127.3	124.2	130.3	130.3	-2.3	-2.4	4.9	-
Forestry	100.0	95.1	96.7	96.7	102.5	-0.8	1.7	-	5.9
Production of the main crops^c									
For export									
Bananas	1 097	991	1 089	1 018	1 150	13.2	9.9	-6.5	13.0
Coffee	73	72	75	76	99	-6.3	3.5	1.3	30.3
Sugar cane	2 865	3 048	2 989	2 989	2 853	-3.2	-1.9	-	-4.6
Cotton	21	18	15	9	8	39.6	-18.7	-40.0	-11.2
Tobacco	7	5	5	5	5	2.4	0.6	-	-
For domestic consumption									
Maize	334	430	427	406	382	10.8	-0.8	-4.9	-5.9
Beans	45	50	51	51	44	11.2	1.5	-	-13.7
Paddy rice	45	59	52	62	62	-7.8	-11.9	19.2	-
Plantains	145	164	171	179	183	1.2	4.5	4.3	2.2
African palm	83	260	319	337	355	51.5	22.7	5.6	5.3
Indicators of stock-raising production									
Stocks ^d									
Cattle	2 154	2 371	2 494	2 621	2 752	4.1	5.2	5.1	5.0
Pigs	703	714	717	720	723	0.4	0.4	0.4	0.4
Sheep	24	23	23	22	22	-1.3	-	-4.3	-
Poultry	5 972	7 417	9 436	10 290	10 908	4.3	27.2	9.1	6.0
Slaughtering ^d									
Cattle	363	324	319	335	...	2.6	-1.5	5.0	...
Pigs	305	351	360	369	381	4.4	2.6	2.5	3.3
Poultry	9 622	12 714	13 086	13 465	13 856	11.0	2.9	2.9	2.9
Other products									
Milk ^e	221	237	247	259	272	2.6	4.2	4.9	5.0
Eggs ^f	38	45	46	47	49	4.6	2.2	2.2	4.3

Source: ECLAC, on the basis of official figures from the Central Bank of Honduras.

^aPreliminary figures.^bEstimated on the basis of value added.^cThousands of tons.^dThousands of head.^eMillions of litres.^fMillions of dozens.

Table 5

HONDURAS: PRODUCTION OF SELECTED MANUFACTURES

	1984	1985	1986	1987 ^a	Growth rates				
					1983	1984	1985	1986	1987 ^a
Cement ^b	534	348	360	451	75.0	10.0	-34.8	3.4	25.3
Asbestos-cement panels ^c	2 090	2 470	2 294	3 204	22.1	11.3	18.2	-7.1	39.7
Iron rods ^d	8 647	16 371	11 846	16 598	...	...	89.3	-27.6	40.1
Cloth ^e	16	14	12	18	42.5	13.2	-12.5	-14.3	50.0
Vegetable oil ^f	7	5	6	15			-28.6	20.0	150.0
Wheat flour ^g	63	67	74	75	12.6	2.1	6.3	10.4	1.4
Pasteurized milk ^h	43	46	49	53			7.0	6.5	8.2
Cane sugar ⁱ	218	213	222	187	1.1	3.5	-2.3	4.2	-15.8
Cigarettes ^j	107	116	107	105	-11.3	5.6	8.4	-7.8	-1.9
Matches ^k	60	65	68	62	6.0	-6.3	8.3	4.6	-8.8
Beer ^l	142	132	145	153	18.6	8.6	-7.0	9.8	5.5
Beverages (carbonated) ^k	516	533	510	588	10.1	5.4	3.3	-4.3	15.3
Aguardiente ^j	1 546	1 555	1 693	1 683	-8.9	-9.3	-0.6	8.9	-0.6
Spirits ^j	4 483	4 272	4 484	4 220	-10.9	-8.2	-4.7	5.0	-5.9
Industrial consumption of electricity ^m	170.0	169.2	146.0	132.8	6.5	4.6	-0.5	-13.7	-9.0

Source: ECLAC, on the basis of figures supplied by the Central Bank of Honduras.

^aPreliminary figures. ^bMillions of tons. ^cThousands of square metres. ^dThousands of kilogrammes.^eMillions of yards. ^fMillions of pounds. ^gThousands of tons. ^hMillions of litres. ⁱMillions of packets of 20.^jMillions of boxes of 50. ^kMillions of 12-ounce bottles. ^lThousands of litres. ^mMillions of kWh.

Table 6

HONDURAS: INDICATORS OF CONSTRUCTION ACTIVITY

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Area constructed^b (thousands of m ²)									
Total	322	277	280	312	350	39.9	1.1	11.4	12.2
Residential	238	195	181	214	237	26.6	-7.2	18.2	10.7
Production of some construction materials									
Cement ^c	7 229	12 569	8 177	8 470	10 615	10.0	-34.9	3.6	25.3
Asbestos-cement panels (m ²)	2 030	2 090	2 470	2 294	3 204	11.3	18.2	-7.1	39.7

Source: ECLAC, on the basis of figures provided by the Central Bank of Honduras.

^aPreliminary figures.^bRefers to applications for private urban building permits in the Central District, San Pedro Sula and La Ceiba during the period from October 1 of the preceding year to September 30 of the year under study, and may therefore differ from the actual building work carried out.^cThousands of 42.5-kg bags.

Table 7

HONDURAS: ELECTRICITY SUPPLY AND DEMAND

	Millions of kWh				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total supply	1 157	1 378	1 374	1 779	2.8	19.1	-0.3	29.5
Net production ^b	985	1 286	1 364	1 774	0.9	30.6	6.1	30.0
Imports	172	92	10	5	15.6	-46.5	-89.1	-50.0
Total demand	1 157	1 378	1 374	1 779	2.8	19.1	-0.3	29.5
Domestic consumption	978	1 065	1 058	1 145	6.2	8.9	-0.7	8.2
Residential	291	330	340	371	3.3	13.5	3.0	9.3
Commercial	151	177	193	230	10.1	17.3	9.2	18.8
Industrial	169	169	146	133	4.6	-0.3	-13.7	-9.0
Heavy consumers ^c	268	282	264	277	6.2	5.0	-6.2	4.7
Public offices	66	80	88	106	5.4	22.2	10.1	20.4
Street lighting	28	27	27	28	13.4	-3.2	-1.6	3.9
Other ^d	5	-	-	-	400.0	-	-	-
Exports	6	134	158	322	243.8	2 338.2	18.1	103.8
Losses ^e	173	179	158	312	-14.4	3.5	-11.7	96.2

Source: ECLAC, on the basis of official figures provided by the National Electricity Corporation (ENEE) and the Central Bank of Honduras.

^aPreliminary figures. ^bNet production equals gross production minus consumption by the power stations themselves. ^cRefers to large enterprises in various areas of economic activity (agricultural, mining, manufacturing, etc.). ^dRefers to sales to other systems and free consumption. ^eRefers to transformation and distribution losses.

Table 8

HONDURAS: THE ECONOMICALLY ACTIVE POPULATION AND UNEMPLOYMENT

	1981	1982	1983	1984	1985	1986	1987 ^a
Total population (thousands of inhabitants)	3 821	3 955	4 092	4 231	4 372	4 510	4 656
Economically active population							
Thousands of persons	1 270	1 317	1 367	1 418	1 471	1 526	1 583
Index	103.7	107.6	111.6	115.8	120.2	124.7	129.3
Open urban unemployment ^b							
Thousands of persons	114	121	130	152	172	186	211
Index	106.1	112.5	120.5	140.9	159.8	172.9	195.9
Rates of unemployment							
Open	9.0	9.2	9.5	10.7	11.7	12.2	13.3 ^c
Manufacturing	9.6	10.2	10.7	11.3	11.9	12.5	...
Construction	10.6	11.5	12.9	13.4	14.5	15.8	...

Source: ECLAC, on the basis of figures supplied by the Department of Planning, Co-ordination and the Budget.

^aPreliminary figures. ^bBased on preliminary information from the September 1986 survey of the urban work force. ^cTaken from the May 1987 survey of the work force based on data collected in five of the main cities.

Table 9

HONDURAS: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-331	-321	-249	-254	-372	-322	-271	-313
Trade balance	-185	-177	-56	-111	-204	-144	-73	-107
Exports of goods and services	942	884	767	801	856	919	1 019	984
Goods, FOB	850	784	677	699	746	805	901	863
Real services ^b	91	100	90	102	110	114	118	121
Transport and insurance	40	39	37	44	51	54	54	54
Travel	24	31	25	22	23	24	26	27
Imports of goods and services	1 126	1 061	823	912	1 060	1 063	1 092	1 091
Goods, FOB	954	899	681	756	880	879	902	894
Real services ^b	172	162	142	156	181	184	190	197
Transport and insurance	98	90	69	78	87	88	90	103
Travel	31	27	23	21	25	27	30	35
Factor services	-153	-153	-202	-152	-178	-190	-211	-222
Profits	-78	-44	-45	-33	-57	-58	-67	-70
Interest received	24	18	15	12	14	13	11	10
Interest paid	-100	-127	-172	-131	-135	-145	-155	-162
Other	-	-	-	-	-	-	-	-
Unrequited private transfer payments	8	9	9	10	10	12	13	16
Balance on capital account	253	249	203	207	382	333	300	355
Unrequited official transfer payments	14	19	21	35	70	111	116	130
Long-term capital	266	209	168	148	269	255	99	...
Direct investment (net)	6	-4	14	21	21	28	30	36
Portfolio investment (net)	-	-	-	-	-2	1	-1	...
Other long-term capital	260	213	155	127	250	227	70	...
Official sector ^c	53	23	77	53	91	103	63	...
Loans received	94	77	125	104	128	171	152	...
Amortization payments	-30	-41	-38	-43	-34	-56	-74	...
Commercial banks ^c	2	5	-2	-3	-4	-7	-1	...
Loans received	12	18	3	3	2	13	9	...
Amortization payments	-11	-14	-5	-6	-6	-6	-11	...
Other sectors ^c	205	186	80	77	163	116	9	...
Loans received	278	245	142	177	263	202	99	...
Amortization payments	-72	-78	-62	-100	-100	-86	-90	...
Short-term capital (net)	12	28	19	11	74	19	41	...
Official sector	-9	49	39	-2	64	46	39	...
Commercial banks	-8	-35	18	8	-6	5	-	...
Other sectors	29	14	-37	5	16	-32	2	...
Errors and omissions (net)	-39	-7	-5	13	-30	-53	44	...
Global balance ^d	-78	-72	-46	-47	11	11	28	42
Total variation in reserves (- sign indicates an increase)	73	69	53	39	...	...	-43	-42
Monetary gold	-	-	-	-	-	-	-	...
Special Drawing Rights	10	-2	-	-	2	-	-	...
IMF reserve position	8	-	-	-4	4	-	-	...
Foreign exchange assets	41	50	-11	3	...	...	-6	...
Other assets	-1	-3	-2	-2	-1	-2	-2	...
Use made of IMF credit	15	23	66	43	-11	-2	-35	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Includes other non-factor services.

^c Includes net loans granted and other assets and liabilities.

^d Equal to the total variation in reserves (of opposite sign), plus counterpart items.

Table 10

HONDURAS: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rate (lempiras per dollar)	Real effective exchange rate indexes ^a	
		Exports	Imports
1970-1979	2	93.5	92.9
1980	2	100.0	100.0
1981	2	95.5	95.6
1982	2	87.7	86.6
1983	2	81.7	81.4
1984	2	79.0	79.7
1985	2	76.9	78.5
1986	2	76.4	78.2
1987	2	78.8	80.1
1985			
I	2	76.5	78.2
II	2	77.0	78.8
III	2	76.1	77.8
IV	2	77.8	79.3
1986			
I	2	78.1	79.7
II	2	76.1	77.3
III	2	75.6	77.9
IV	2	75.8	77.7
1987			
I	2	77.5	78.9
II	2	78.8	80.2
III	2	78.5	80.1
IV	2	80.2	81.3

Source: ECLAC, on the basis of information from the International Monetary Fund, *International Financial Statistics*.

^aRefers to the average of the indexes of the real exchange rate for the lempira *vis-a-vis* the currencies of Honduras' main trading partners, weighted according to the relative significance of imports or exports, as the case may be, to or from these countries. The weightings correspond to the average for the period 1982-1985. The calculations have been based on wholesale price indexes whenever possible, but in the case of Honduras the consumer price index was used. For details on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America*, 1981.

Table 11

HONDURAS: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports FOB							
Value	-7.8	-13.7	3.3	6.7	8.0	11.9	-4.2
Volume	-4.0	-11.5	5.0	-0.3	18.5	-3.1	6.0
Unit value	-4.0	-2.5	-1.6	7.1	-8.9	15.5	-9.6
Imports FOB							
Value	-5.8	-24.2	11.1	16.3	-	2.6	-0.9
Volume	-12.9	-19.4	13.9	12.1	-6.0	9.4	-2.9
Unit value	8.2	-6.0	-2.5	3.7	6.3	-6.2	2.1
Terms of trade	-11.4	2.8	0.5	2.2	-14.2	22.7	-11.7
Indexes (1980 = 100)							
Purchasing power of exports	85.1	77.5	81.7	83.2	84.6	100.6	94.2
Volume of exports	96.0	85.0	89.2	88.9	105.4	102.2	108.3
Volume of imports	87.1	70.2	79.9	89.6	84.3	92.2	89.5
Terms of trade	88.8	92.0	92.8	95.8	82.1	101.1	89.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 12

HONDURAS: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total ^b	790	891	863	100.0	100.0	100.0	5.5	7.2	12.9	-3.2
Central America	26	23	25	9.0	10.2	2.9	-22.2	-46.5	-8.1	8.7
United States	367	404	446	52.1	52.0	51.7	4.2	-2.8	10.0	10.4
Federal Republic of Germany	59	91	95	11.2	11.6	11.0	-3.9	78.9	55.2	4.4
Italy	59	60	49	1.2	1.9	5.7	135.6	77.1	0.9	-18.3
Japan	50	79	49	4.0	4.3	5.7	45.9	-13.4	56.4	-38.0
Rest of world	229	234	199	22.5	20.0	23.0	0.2	22.3	2.6	-15.3
Main traditional exports	611	725	673	75.4	75.5	78.1	10.8	7.0	18.8	-7.0
Bananas	274	257	324	21.0	27.7	37.6	14.3	17.8	-6.1	26.3
Coffee	185	322	208	19.3	24.8	24.2	11.8	9.5	73.9	-35.3
Wood	34	32	36	13.0	4.4	4.2	-13.6	-2.3	-5.3	12.4
Chilled meat	18	20	21	6.1	7.4	2.4	-32.3	-14.2	8.2	7.1
Shrimps and lobsters	41	45	61	3.5	2.8	7.1	38.9	-18.0	10.7	35.2
Zinc	30	26	12	5.4	1.2	1.4	56.9	-5.4	-12.3	-55.5
Silver	13	13	5	3.7	3.9	0.6	-11.9	-16.1	-3.1	-57.1
Cotton	7	5	2	1.5	1.6	0.2	83.3	-11.7	-32.4	-60.9
Tobacco	9	5	4	1.9	1.7	0.4	-23.1	4.8	-39.1	-32.1
Non-traditional exports	179	166	189	24.6	24.5	21.9	-9.5	7.6	-7.2	13.5
Wood manufactures	6	6	13	0.5	2.0	1.5	-12.2	-33.7	-	116.7
Unrefined sugar	21	12	20	2.4	3.6	2.3	7.6	-16.3	-41.9	56.0
Soap	2	1	2	1.4	2.5	0.2	-45.5	-60.0	-41.7	42.9
Other	150	147	154	20.3	16.4	17.9	-6.8	18.6	-1.9	5.1

Source: ECLAC, on the basis of figures provided by the Central Bank of Honduras.

^aPreliminary figures. ^bThe figures shown here do not exactly coincide with those appearing in the balance of payments because a different methodology was used.

Table 13

HONDURAS: VOLUME OF EXPORTS OF MAIN PRODUCTS

	Thousands of tons				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Bananas	825	931	851	998	17.5	12.8	-8.6	17.3
Coffee	75	79	88	98	-8.5	5.3	11.4	11.4
Sugar	99	131	70	111	-15.4	32.3	-46.6	58.6
Chilled meat	10	10	12	10	-41.2	-	20.0	-16.7
Zinc	34	39	41	17	30.8	14.7	5.1	-58.5
Shrimps and lobsters	4	4	4	5	-20.0	-	-	25.0
Cotton	5	6	5	2	667	20.0	-16.7	-60.0
Lead	15	17	18	4	15.4	13.3	5.9	-77.8
Tobacco	3	3	2	2	-	-	-33.3	-
Wood ^b	98	90	93	103	-11.7	-8.2	3.3	10.8
Silver ^c	2 022	2 108	2 255	796	24.1	4.3	7.0	-64.7

Source: ECLAC, on the basis of figures provided by the Central Bank of Honduras and the Department of Planning, Coordination and the Budget.

^aPreliminary figures.^bMillions of board feet.^cThousands of troy ounces.

Table 14

HONDURAS: IMPORTS OF GOOD, CIF

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total^b	888	875	899	100.0	100.0	100.0	11.3	-0.6	-1.5	2.7
Consumer goods	209	235	245	24.0	23.3	27.2	14.9	-5.5	11.9	4.5
Durable	68	83	91	8.6	8.2	10.1	39.1	-1.8	20.7	10.1
Non-durable	141	152	154	15.4	15.1	17.1	5.1	9.5	7.7	1.4
Raw materials and intermediate goods	494	445	458	51.6	50.8	50.9	4.0	-5.6	-9.5	2.8
Fuels and lubricants	164	96	104	16.0	16.8	11.6	9.7	-11.7	-38.6	7.7
Materials for agriculture	54	79	80	4.0	4.5	8.9	8.0	-4.8	44.1	1.0
Materials for industry	235	237	240	27.6	24.7	26.7	3.9	-2.8	-0.7	1.2
Materials for construction	41	33	34	4.0	4.8	3.8	-18.7	4.3	-19.6	3.5
Capital goods	181	173	177	24.1	25.7	19.6	36.1	5.9	-4.3	1.9
For agriculture	17	14	16	3.6	2.2	1.8	38.1	19.0	-13.5	12.9
For industry	134	126	127	15.5	17.5	14.1	35.7	2.7	-6.3	0.7
For transport	30	33	34	5.0	6.0	3.8	37.3	15.2	9.4	1.3
Other products	4	22	19	0.3	0.2	2.2	-24.0	129.0	371.8	-11.0

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bThe figures shown here differ from those appearing in the balance-of-payments because they are CIF values and do not include adjustments for undervaluations.

Table 15

HONDURAS: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981 ^a	1982	1983	1984	1985	1986	1987 ^b
Millions of dollars							
Total external debt							
Balances ^c	1 587.9	1 985.8	2 162.0	2 391.9 ^d	2 794.2 ^d	3 018.2 ^d	3 100.8
Public	1 161.6	1 551.9	1 765.6	2 041.4 ^d	2 529.4	2 742.2	2 800.7
Private	426.3	433.9	396.4	350.5	264.8	276.0	300.1
Long- and medium-term ^c	1 587.9	1 748.3	1 543.1	2 159.0 ^d	2 482.7	2 698.9	2 770.0
Short-term ^c	...	237.5	607.0	232.9	311.5	319.3	323.8
Disbursements	332.8	364.3 ^e	363.2	506.4	471.0	428.0	441.0
Service	141.9	371.4 ^e	305.2	334.2	375.4	480.8	526.3
Principal	132.5	236.1	187.0	222.2	258.6	336.7	409.7
Interest ^f	95.4	135.3	118.2	112.0	116.8	144.1	116.6
External public debt							
Disbursements	252.0	270.0 ^e	258.3	458.4	456.9	354.6	333.4
Service	129.1	231.0	157.5	208.0	295.7	359.5	433.5
Principal	61.1	110.0 ^e	71.6	128.3	197.1	237.0	323.0
Interest	68.0	121.0 ^e	85.9	79.7	98.6	122.5	110.5
Percentages							
Ratios^g							
Total external debt/exports of goods and services	178.4	255.7	269.3	281.6	308.6	298.5	315.3
Debt service/exports of goods and services	16.0	47.8	38.0	39.4	41.5	47.5	53.5
Net interest ^h /exports of goods and services	12.4	20.2	14.8	14.3	14.6	14.2	15.5
Debt service/disbursements	42.6	101.9	84.0	66.0	79.7	112.3	119.3

Source: ECLAC, on the basis of figures provided by the Central Bank of Honduras.

^aIncludes only medium- and long-term debt. ^bPreliminary figures. ^cEnd-of-year balances of disbursed debt. ^dIncludes adjustment for exchange rate. ^eIncludes only the total long-term debt and the short-term private sector debt. Includes amortization payments on short-term debt.^fCorrespond to the interest actually paid, excluding interest owed but not paid; hence the difference from the corresponding item of the balance of payments. ^gAll ratios refer to the total external debt. ^hRefers to the corresponding entry (net) of the balance of payments.

Table 16

HONDURAS: DOMESTIC PRICES

	1981	1982	1983	1984	1985	1986	1987
Index (yearly average)							
Consumer price index (1978 = 100)	144.8	157.8	170.9	178.9	184.9	193.0	197.8
Food	139.9	148.2	157.4	158.1	160.5	164.9	167.0
Wholesale price index	136.4	150.2	162.0	164.0	165.9	169.1	170.4
Imported products	134.8	156.0	173.3	176.3	175.6	177.8	179.3
Domestic products	137.2	147.3	156.4	158.0	161.2	164.9	166.0
Agricultural	130.5	133.9	144.3	142.3	146.0	152.3	154.7
Manufactured	142.0	157.0	165.1	169.4	172.1	174.0	174.2
Construction materials	142.1	146.8	154.9	156.6	157.5	156.3	155.2
December-to-December variation							
Consumer price index	9.2	8.8	7.8	3.7	4.2	3.2	2.9
Food	5.2	6.8	3.2	1.7	1.6	1.5	4.1
Wholesale price index	8.4	12.1	6.3	-0.1	3.0	0.1	1.5
Imported products	16.1	17.9	9.4	-2.1	2.5	0.1	0.7
Domestic products	4.8	9.3	4.6	1.0	3.2	0.1	1.9
Agricultural	2.4	6.1	5.0	-0.3	3.6	2.0	3.2
Manufactured	6.4	11.4	4.4	1.9	2.9	-1.0	1.0
Construction materials	8.5	4.1	3.3	-0.3	2.9	-3.6	0.8
Variation between annual averages							
Consumer price index	9.4	9.0	8.3	4.7	3.4	4.4	2.5
Food	7.3	5.9	6.2	0.4	1.5	2.7	1.3
Wholesale price index	8.6	10.1	7.9	1.2	1.2	1.9	0.8
Imported products	16.8	15.7	11.1	1.7	-0.4	1.3	0.8
Domestic products	5.1	7.4	6.2	1.0	2.0	2.3	0.7
Agricultural	3.1	2.6	7.8	-1.4	2.6	4.3	1.6
Manufactured	6.4	10.6	5.2	2.6	1.6	1.1	0.1
Construction materials	12.1	3.3	5.5	1.1	0.6	-0.8	-0.7

Source: ECLAC, on the basis of figures provided by the Central Bank of Honduras.

Table 17

HONDURAS: WAGES

	1981	1982	1983	1984	1985	1986	1987
Indexes (1976 = 100)							
Official minimum wages^a							
Nominal							
Cropfarming and stockraising	228	256	256	256	256	256	256
Manufacturing and mining	155	168	168	168	168	168	168
Handicrafts	165	181	181	181	181	181	181
Construction	168	179	179	179	179	179	179
Commerce and services	153	169	169	169	169	169	169
Real							
Cropfarming and stockraising	138	142	131	125	121	116	113
Manufacturing and mining	94	93	86	82	79	76	74
Handicrafts	104	104	96	92	87	83	81
Construction	101	103	95	91	88	84	82
Commerce and services	95	96	87	83	80	77	75
Growth rates							
Official minimum wages^a							
Nominal							
Cropfarming and stockraising	28.2	12.4	-	-	-	-	-
Manufacturing and mining	15.1	8.3	-	-	-	-	-
Handicrafts	18.2	9.5	-	-	-	-	-
Construction	14.8	6.5	-	-	-	-	-
Commerce and services	17.8	10.4	-	-	-	-	-
Real							
Cropfarming and stockraising	16.5	3.0	-7.7	-4.5	-3.3	-4.2	-2.4
Manufacturing and mining	5.0	-0.5	-7.7	-4.5	-3.3	-4.2	-2.4
Handicrafts	12.6	0.7	-7.7	-4.5	-3.3	-4.2	-2.4
Construction	4.5	2.2	-7.7	-4.5	-3.3	-4.2	-2.4
Commerce and services	7.6	1.4	-7.7	-4.5	-3.3	-4.2	-2.4

Source: ECLAC, on the basis of official figures.

^aThe minimum wages correspond to the annual averages for the Central District and San Pedro Sula. After May 1974, wages were updated by decree in December 1978, May 1980 and June 1981.

Table 18

HONDURAS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of lempiras				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
1. Current income	950	1 064	1 153	1 289	1.0	22.0	12.0	8.4	11.8
Tax revenue	888	997	1 087	1 226	1.1	22.8	12.3	9.0	12.8
Direct	242	249	258	308	-4.3	22.6	2.9	3.6	19.4
Indirect ^b	646	748	828	917	3.3	22.8	15.8	10.7	10.8
On foreign trade	346	409	405	441	2.9	23.9	18.2	-1.0	8.9
Non-tax revenue	62	67	66	63	12.6	8.9	8.1	-1.5	-4.6
2. Current expenditure	1 052	1 215	1 327	1 482	13.4	8.2	15.5	9.2	11.7
Wages and salaries	516	570	664	720	8.6	7.0	10.5	16.5	8.4
Purchase of non-personal goods and services	281	321	290	345	26.4	16.4	14.2	-9.7	19.0
Interest	137	153	192	241	46.2	14.3	11.7	25.5	25.5
Transfers	118	171	181	176	-5.9	-5.9	44.9	5.9	-2.8
3. Current savings (1-2)	-102	-151	-174	-193					
4. Capital expenditure	943	875	869	792	29.9	44.8	-7.2	-0.7	-8.9
Real investment	196	200	200	171	15.4	1.7	2.0	-	-14.5
Debt amortization payments	312	403	450	450	40.4	54.7	29.2	11.7	-
External	44	75	81	76	26.2	37.1	70.5	8.0	-6.2
Domestic	268	328	369	374	43.4	58.0	22.4	12.5	1.4
Other capital expenditure ^c	435	272	219	171	32.1	63.9	-37.5	-19.5	-21.9
5. Total expenditure (2+4)	1 995	2 090	2 196	2 274	19.2	22.2	4.8	5.1	3.6
6. Fiscal deficit (or surplus) (1-5)	-1 045	-1 026	-1 043	-985					
7. Financing of the deficit									
Domestic	445	529	603	663	42.5	-3.8	18.9	14.0	10.0
External	600	497	440	322	45.8	54.6	-17.2	-11.5	-26.8
Ratios (percentages)									
Current saving/capital expenditure	-10.8	-17.3	-20.0	-24.4					
Fiscal deficit/total expenditure	-52.4	-49.1	-47.5	-43.3					
Tax revenue/GDP	13.7	14.3	14.4	15.3					
Total expenditure/GDP	30.9	30.0	29.0	28.4					
Fiscal deficit/GDP ^d									
Gross	16.2	14.7	13.8	12.3					
Net	11.3	8.9	7.8	6.7					
Domestic financing/deficit	42.6	51.6	57.8	67.3					
External financing/deficit	57.4	48.4	42.2	32.7					

Source: ECLAC, on the basis of figures provided by the Office of the Budget.

^aPreliminary figures.^bIncludes revenue from the petroleum price differential.^cSmall amounts of capital income

have been deducted from this item.

^dThe gross indicator takes into account expenditures on debt amortization; the net indicator does not.

Table 19

HONDURAS: CURRENT INCOME OF THE CENTRAL GOVERNMENT

	Millions of lempiras				Percentage breakdown			Growth rates				
	1984	1985	1986	1987 ^a	1980	1983	1987 ^a	1983	1984	1985	1986	1987 ^a
Current income	950	1 064	1 153	1 289	100.0	100.0	100.0	1.0	22.0	12.1	8.4	11.8
Tax revenue	888	997	1 087	1 226	91.9	92.9	95.1	1.1	22.8	12.3	9.0	12.8
Direct	242	249	258	308	31.2	25.3	23.9	-4.3	22.6	3.1	3.6	19.4
Income tax	234	241	250	298	30.2	24.4	24.3	-4.3	22.9	2.9	4.0	19.2
Indirect	646	748	828	917	60.7	67.6	71.1	3.3	22.8	15.7	10.7	10.8
Production, consumption and sales taxes ^b	264	293	380	427	21.7	29.0	33.1	3.2	16.6	11.0	29.7	12.4
Beer	44	48	47	52	4.7	4.5	4.0	-2.5	25.1	8.9	-0.6	10.6
General sales tax	116	106	112	125	11.2	11.2	9.7	-4.7	33.0	-8.6	5.7	11.6
Taxes on specific services and activities	35	45	43	49	2.2	2.6	3.8	10.6	77.8	26.7	-3.4	14.0
Import tax	259	317	302	347	19.7	26.0	26.9	13.1	28.4	22.3	-4.7	14.9
Export tax	87	92	103	94	17.1	10.0	7.3	-16.5	12.2	6.0	11.8	-8.7
Bananas	37	41	36	41	6.6	4.5	3.2	-23.1	5.4	12.2	-12.6	13.9
Coffee	43	45	62	49	8.5	4.5	3.8	-13.5	21.2	5.8	38.2	-21.0
Other	7	6	5	4	2.0	1.0	0.3	7.8	3.6	-20.9	-10.3	-20.0
Miscellaneous taxes			1	1			0.1					-
Non-tax revenue	62	67	66	63	8.1	7.1	4.9		12.6	8.9	-1.5	-4.6
Services	17	15	16	15	1.0	1.8	1.2	39.2	15.5	-11.0	10.3	-6.3
Transfers from the public sector	17	18	19	18	2.6	1.9	1.4	-11.8	15.3	5.2	1.6	-5.3
Other income	28	34	31	30	4.5	3.4	2.3	-7.3	9.4	22.9	-8.8	-3.2

Source: ECLAC, on the basis of figures supplied by the Office of the Budget.

^aPreliminary figures. ^bIncludes revenue from the petroleum price differential.

Table 20

**HONDURAS: INCOME AND EXPENDITURE OF THE CONSOLIDATED
NON-FINANCIAL PUBLIC SECTOR**

	Millions of lempiras				Growth rates		
	1984	1985	1986	1987 ^a	1985	1986	1987 ^a
Total income	1 665	1 887	1 964	2 153	13.3	4.1	9.6
Current	1 653	1 844	1 936	2 122	11.6	5.0	9.6
Capital (excluding credit)	12	43	28	31	258.3	-34.9	10.7
Total expenditure	2 518	2 587	2 687	2 843	2.7	3.9	5.8
Current	1 598	1 803	1 945	2 139	12.8	7.9	10.0
Interest	214	230	259	281	7.5	12.6	8.5
Capital and net loans granted	920	784	742	704	-14.8	-5.4	-5.1
Real investment	726	582	481	429	-19.8	-17.4	-10.8
Financial investment	-	2	48	53	-28.7	2 300.0	10.4
External amortization payments	78	114	131	128	46.2	14.9	-2.3
Land purchases, existing assets and variation in stocks	22	18	1	17	-18.2	-94.4	1 600.0
Net loans granted	94	68	81	77	-27.7	19.1	-4.9
Deficit	853	700	723	690	-17.9	3.3	-4.6
Financing of the deficit							
Net domestic	103	72	247	383	-30.1	243.1	55.1
External ^b	750	628	476	307	-16.3	-24.2	-35.5
Percentages							
Deficit/GDP	13.2	10.0	9.6	8.6			
Total expenditure/GDP	39.0	37.1	35.5	35.4			
Deficit/total expenditure	33.9	27.1	26.9	24.3			
Domestic financing/deficit	12.1	10.3	34.2	55.5			
External financing/deficit	87.9	89.7	65.8	44.5			

Source: ECLAC, on the basis of figures supplied by the Central Bank of Honduras.

^aPreliminary figures. ^bIncludes external capital transfers.

MEXICO

1. Recent economic trends: Introduction and summary

The external accounts of the Mexican economy showed a noticeable improvement in 1987, and the country's international reserves reached an unprecedentedly high; but the gross domestic product rallied by barely 1% (after a 4% drop), while inflation accelerated considerably, and came close to having risen by 160% in the 12-month period ending in December (see table 1 and figure 1).

The accumulation of international reserves was a priority goal. The monetary policy remained restrictive, and through its application it was possible to soften the impact of external conditions on the level of activity. This caused the struggle against inflation to be relegated to a secondary position. As for fiscal policy, it continued to favour the adjustment of the sector, whose operating deficit declined substantially, this deficit was financed through borrowing backed by government bonds so as not to put pressure on the domestic credit supply of the financial system.

The partial recovery of the price of crude oil and the great dynamism shown by industrial exports and tourism caused the balance on current account to rise from a deficit of US\$1.5 billion to a surplus of US\$3.6 billion. Since an abundant flow of external resources was also obtained, international reserves increased by nearly US\$7 billion, reaching in December an unprecedented level of around US\$14 billion, which was more than the total value of merchandise imports in 1987.

The large increase in physical exports of goods and services (15%) was the most important feature of global demand; as imports grew at a much lower rate (2%), the external balance was markedly positive. As for domestic demand it slumped by nearly 2%. Both fixed investment and consumption decreased, bringing the investment-product ratio down to 16% —considerably lower than the coefficients recorded early in the decade.

Prices in general tended to rise —by 104% in January over the same month of the preceding year and by 159% in December. The exchange rate remained high although it was somewhat lower than the rate of the preceding year. As for real wages, they declined again, making the purchasing power of the minimum wage more than 60% lower than it had been in 1982.

The return to a favourable balance on current account was due to exports, whose value grew by 25%. The recovery of the price of petroleum brought in a large flow of additional foreign exchange, and manufacturing boosted its external sales by nearly 40% thanks to the strong growth shown by the inbond subcontracting subsector. This brought the share of non-traditional products in total exports up to 38%, that is, nearly three times what it had been in 1980. Since imports expanded by only 5%, a trade surplus of over US\$10 billion was obtained —a historical high, except for the unprecedented results in the 1983-1984 biennium. In addition with the advent of more favourable conditions, the ratio of interest on the debt to exports of goods and services sank to less than 30%, returning to the 1981 level.

The renegotiation of the debt previously agreed to with the international private banking system included the granting of new loans as from the second quarter, as a result of which the balance on the capital account became positive again. Three fourths (US\$5 billion) of the substantial expansion in the country's international reserves were attributable to the increase in the external debt, which exceeded US\$105 billion.

The public sector made appreciable progress in its endeavour to reduce macroeconomic imbalances. In actual fact, in the absence of debt servicing, the primary surplus may have multiplied its 1% share in the product in 1986 by a factor of five. However, the interest paid in current terms reached 20% of the product, since inertial factors, especially those related to domestic and external debt servicing, constituted a large component of the imbalance. Thus, the cash deficit stayed at one sixth of the product and was covered by government bonds which were also issued to absorb the liquidity generated by the large increase in reserves. Thus, while money expanded by 130%, domestic

Figure 1
MEXICO: MAIN ECONOMIC INDICATORS

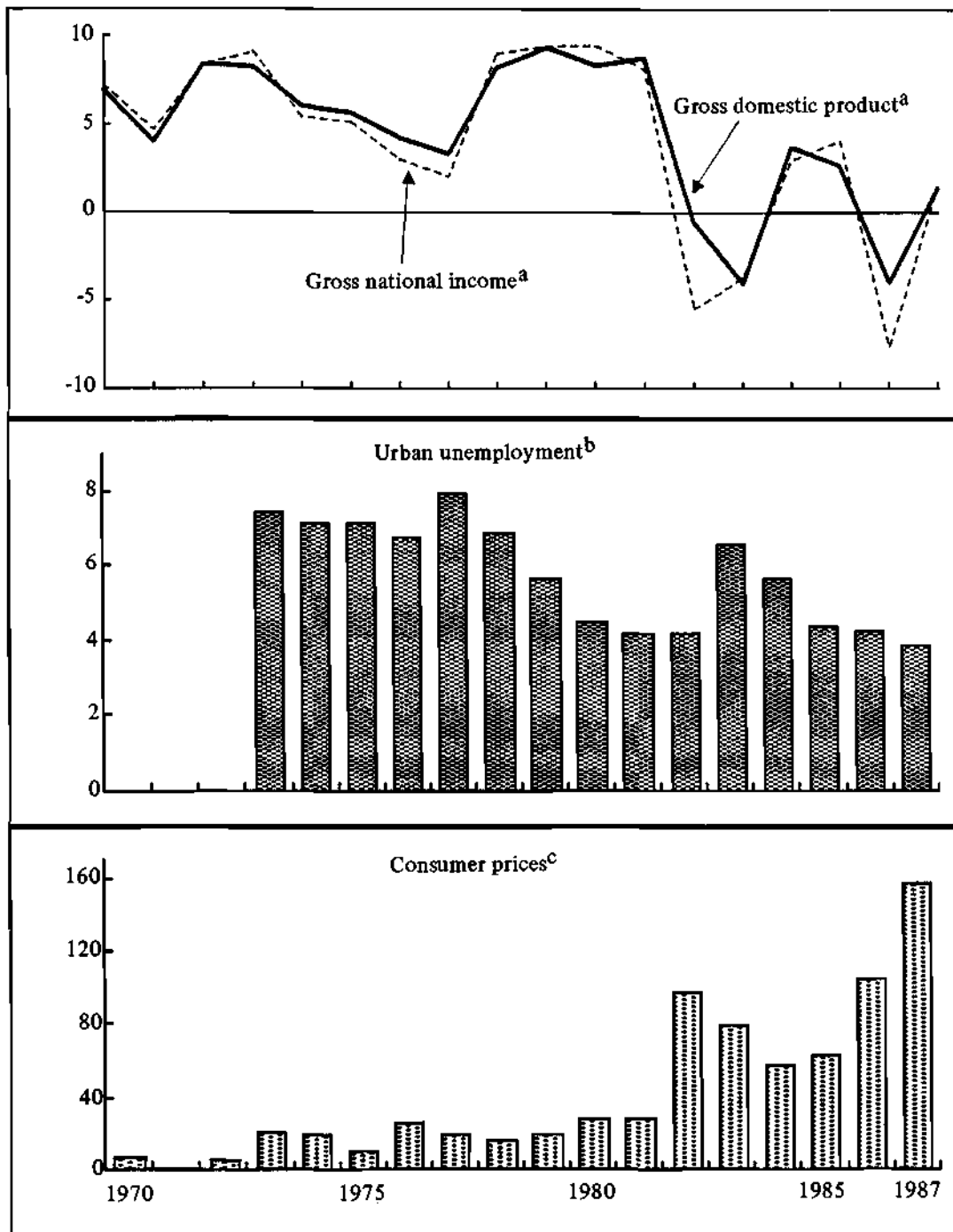
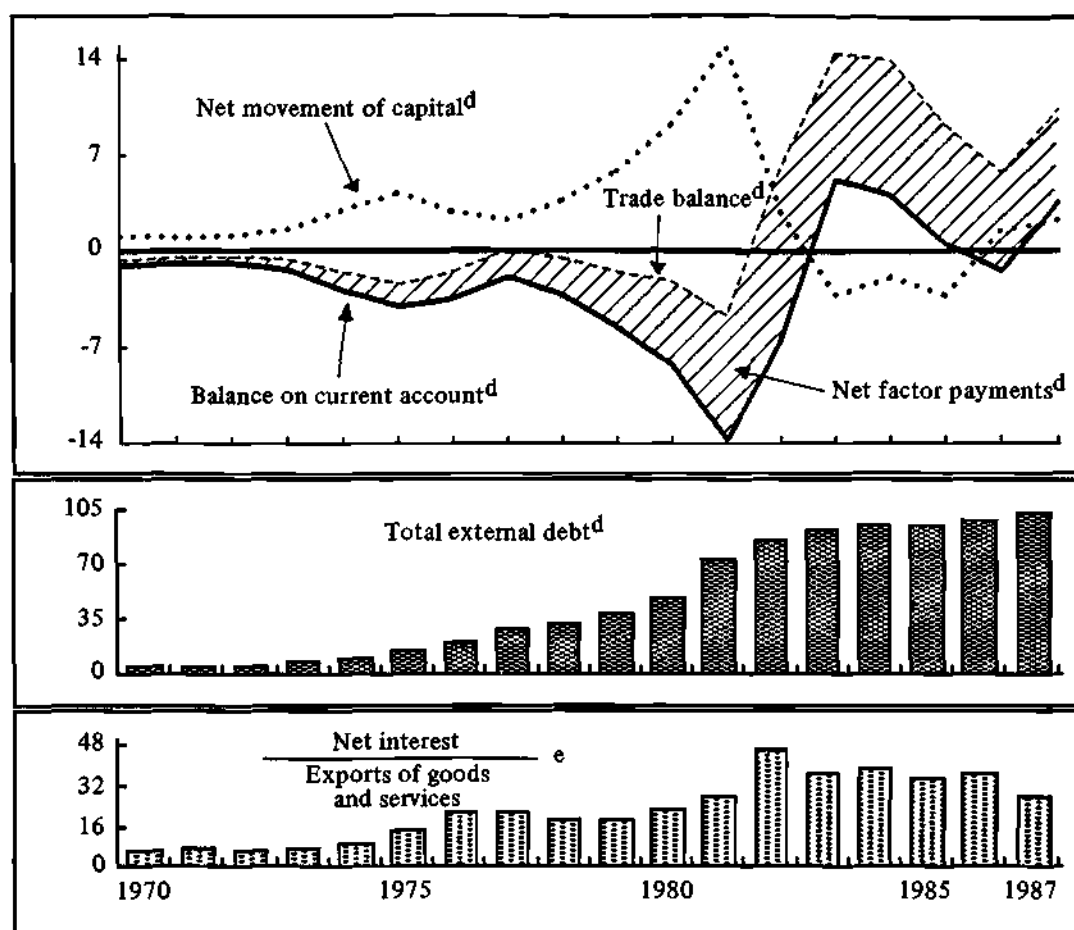


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate. ^bUntil 1983, the average annual rate in the metropolitan areas of Mexico City, Guadalajara and Monterrey. Since 1984, the weighted average of the 16 major cities. ^cDecember - December percentage variation. ^dBillions of dollars. ^ePercentages.

prices rose by 160%, causing the speed at which money circulated to increase again under the impetus of inflation. Saving instruments as a whole were, however, maintained in real terms, which made the increase in non-bank documents all the more salient. Quasi-money and time deposits measured in constant values contracted as a result of the decrease in interest rates, which became negative in the second half of the year. Since the deficit was largely covered by borrowing, bank credit to the public sector rose much more slowly than the rate of inflation (120%), while credit to the private sector held steady in constant values.

The collapse in the major international stock exchanges in October caused a sudden drop in the shares traded in Mexico, after a period of continual rise. The change in the portfolio of investors also had an impact on the foreign exchange market. In November, the exchange-rate policy was modified by effecting a devaluation of around 30% in the free market.

Finally, in mid-December the Economic Solidarity Pact (PSE) was announced, its purpose being to change some basic relative prices, sway the expectations of the economic agents and deal with the country's domestic, fiscal and price imbalances with the help of its large international reserves. The new policy included a 22% devaluation of the controlled exchange rate; a tariff reduction, in which the maximum rate was lowered from 40% to 20%; a special wage hike of 15% and appreciable increases in public prices and utility rates.

2. Trends in economic activity

a) *Total supply and demand*

The slight rally in total supply due to the mild recovery of the gross domestic product and an equally modest increase in imports was not enough to offset the effects of both its fall in 1986 and the growth of the population (see table 2).

External demand was the dynamic factor, climbing by 15%, while domestic demand tapered off slightly. Fixed investment remained stagnant at levels equivalent to those of 1975 and in per capita terms was less than half the historical high reached in 1981. A slight rise was experienced in private investment (2%) following the sharp fall which had occurred in 1986, but public investment continued to decline rapidly (-6%). Consumption fell by almost 3%, and per capita private expenditure dropped by around 5%, which brought it down to a level 20% below that achieved in 1981.

b) *The main sectors*

During the first months of the year, economic activity slackened, but it then underwent a vigorous recovery with the result that the gross domestic product grew by slightly over 1%.

Although all the sectors rallied, only basic services and mining overcame the effects of the slump of the previous year (see table 3). Looking at the results from a different angle makes clear the contrast between the dynamism of export-oriented production and the stagnation, and even regression, of those activities geared to the domestic market.

i) *Agriculture.* The upturn experienced by the product of the agricultural sector was not strong enough for it to overcome the effects of the fall suffered the preceding year (see table 4).

The crop-farming product made a partial recovery —on the order of 3%— an average that conceals very dissimilar results in the individual branches. Although the value of exports contracted owing to price drops, the volume produced rose considerably, particularly in the cases of cotton (53%), coffee (22%) and garden-farm products —items that together generated around three fourths of total crop exports.

On the other hand, the harvest of the main cereals for domestic consumption declined for the second consecutive year. The yields of maize and beans (-1% and -6%) were adversely affected by the worst drought in 25 years and, in certain regions, by early frosts, while the wheat yield fell by 7% owing to smut disease, in the northeast of the country. Exceptions to this decline in grains produced for the domestic market were oils and oilseeds, whose yield expanded by around 20%, and sorghum (30%).

Livestock production dropped by 2%, reverting to the 1985 level. Only the supply of beef increased (2%); that of pork fell by 5%, bringing the drop accrued in the period 1984-1987 to over 40%; as for the production of poultry meat, it remained stationary. The production of milk and of eggs shrank, which in the first case meant a loss of over 15% during the two-year period.

Forestry (4%) and, above all, hunting and fishing (11%) showed greater dynamism, since the improvement in external demand conditions was reflected in an increase in wood exports and, in particular in exports of tuna and of shrimp and other shellfish.

ii) *Mining.* The sustained external demand for a number of mining products was responsible for an increase in production capacity. The increase in copper production (32%) due to the opening of a new plant was exceptionally high. The extraction of precious metals, on the other hand, grew more slowly than during the previous two-year period. The increase seen in the mining of ores and metals for use in iron and steel manufacturing was attributable to the partial recovery of coke and iron production (see table 5).

iii) *Petroleum.* As a result of the rally in petroleum prices following their steep decline in 1986 and of the upturn in domestic economic activity, the production of hydrocarbons, which represents more than half of the mining sector's output, rose by 4%, which was not enough to offset the decline recorded in the preceding two-year period (see table 6).

The growth rates of extraction refining, exports and domestic consumption ranged between 3% and 5%. The financial constraints affecting the public sector were reflected in the slower pace of exploration. Consequently, proven reserves of hydrocarbons decreased for the third consecutive year, dropping to 69 billion barrels.

iv) *Manufacturing.* The recovery in manufactures (2%) was no more than partial, although their growth rate tended to rise during the course of the year. The production of both durable and non-durable consumer goods remained stagnant, while intermediate goods showed some increase (3%) and capital goods declined (-2%).

Most of these differences were accounted for by the behaviour of demand. Thus, the exceptional growth of basic metals industries was chiefly due to the expansion seen in the processing of copper (66%), much of which was sold on the external market, while the satisfactory growth rate of non-metallic minerals was largely attributable to the exportation of flat glass and hydraulic cement. Although the manufacture of metal products and machinery and equipment contracted (-2%), the automobile industry grew by 11%, mainly thanks to the assembly of vehicles for sale abroad (see table 7).

The decline in per capita domestic consumption had an adverse impact on the food, beverage and tobacco industries. The garment and footwear industries stagnated, despite the fact that exports of both of these types of products climbed.

Traditional industries, which had been overprotected in the past, were faced with a depressed domestic market, the growing openness of the economy to the exterior that has gone along with the reduction of tariffs, and a lack of financing for their modernization.

v) *Construction.* The sector gained back only a small part of the ground it had lost the preceding year, even though it gathered steam during the second half of the year. Production of the main inputs turned in a more promising performance, especially in the cases of cement and flat glass (see table 8).

vi) *Services.* Basic services expanded by nearly 3%, thanks to the boost they received from the electricity, gas and water and communications subsectors. Electricity generation again grew by around 8%, since the increase in the production of thermal energy more than offset the persistent decline in hydropower generation. The increase in demand came from both domestic (4%) and industrial (6%) use.

Transport expanded by 2%; this was a result of the increase in passenger transportation, since cargo transport remained constant due to the stagnation of the production of goods. This last factor also had an effect on commercial intermediation.

c) *Employment*

Employment indicators suggested that the rally in economic activity was reflected in the level of employment in the formal sector. According to the ongoing survey carried out in the country's 16 major cities, open unemployment sank from 4.3% to 3.9%.

Furthermore, although it is admittedly a much smaller statistical universe, the number of people registered with the Mexican Social Security Institute was on the rise, reaching a figure 10% higher than that of 1986 by the end of the year; however, the average increase over the 12-month period was under 5% (see table 9). The situation with respect to employment in manufacturing was somewhat similar, but in this case the increase was not large enough to offset the initial decline, with the result that the average level of employment dropped by more than 3%. The man-hours worked in manufacturing showed a similar trend. The number of workers in inbound assembly industries went up by 22%.

3. The external sector

a) *Main features*

Owing to the exceptional rise in exports, on the one hand, and to the moderate expansion of imports and the decrease in external factor payments, on the other, the nearly US\$1.5 billion deficit on current account recorded in 1986 gave way to a surplus of more than US\$3.6 billion in 1987. In addition, the country had a net capital inflow of US\$2.3 billion. This boosted the level of international monetary reserves to an unprecedented total of US\$14 billion, which was equivalent to the value of 12-months of merchandise imports (see table 10).

This noteworthy effort to correct the country's external imbalances had the support of the international financial community, as demonstrated by the nearly total restructuring of the debt in

1986 and its provision of additional financing in 1987. In addition, new mechanisms were tried out in an effort to reduce the impact of debt servicing on the economy.

The greater availability of foreign exchange gave the authorities more latitude in applying the exchange-rate policy. The real exchange rate showed a declining trend, but on average was higher than it had been the year before (see table 11).

b) *The current account*

The upturn in petroleum prices was one of the main reasons why the country was able to generate a surplus of nearly US\$8.5 billion in its foreign trade in goods, as it also had two year earlier, before the collapse of oil prices. Another decisive factor was the significant increase in its exports of manufactures and services.

This partial recovery of petroleum prices —35%, following a 55% drop in 1986— led to a nearly 6% increase in the terms of trade for goods, which, even so, were almost one-third lower than they had been in the early 1980s (see table 12).

Oil exports expanded by 41%, thereby making a partial comeback, but were still below their 1984 level. Overseas sales of manufactures continued to grow quite rapidly (39%), and this boom offset the fall (-27%) of crop-farming products by a wide margin (see table 13).

Particularly large increases were recorded in the exports of the automobile, iron and steel and chemical industries. The pronounced contraction in agricultural sales was mainly due to the 50% drop in international coffee and tomato prices, following the boom of the preceding year. In fact, the actual volume of agricultural exports increased, owing to the larger volume of external sales of coffee (8%), pulses and vegetables (24%), fruits (20%), and, in the category of fishing products, of shrimp (12%), tunnyfish (75%), and other fish and shellfish (84%).

Rapid growth was also seen in the inbond assembly (*maquilladora*) industry, in which Mexico is competitive due to the low level of wages (around US\$3.00 per day), the availability of infrastructure, tax facilities and its proximity to the United States. The revenue from this activity rose by 22% to around US\$1.6 billion.

Merchandise imports were on the decrease until August, but thereafter the trend reversed as the economy picked up and the real exchange rate declined; the overall result was a 7% rise. Purchases of consumer goods diminished steadily during the entire period (-9%). Imports of capital goods also decreased (-11%), but purchases of intermediate goods climbed (16%), mainly because of the industrial recovery which began in May. The higher level of imports of farm products made necessary by the drop in the domestic production of some goods was also a factor (see table 14). Private-sector imports rose by 17%, while those of the public sector fell by the same percentage. The higher figure for private-sector imports included, however, around US\$2.5 billion in goods that entered the country under the temporary import system for re-exports. The retained imports of this sector grew by 7%.

The process of opening up the economy to foreign trade intensified towards the end of the year the maximum tariff was lowered from 40% to 20% and the number of items for which prior import permits were required was reduced from a total of 9 459 to only 329. The high level of the real exchange rate thus served as the main instrument of domestic protection.

The country's trade in services generated a US\$2 billion surplus. The number of tourists (who were attracted by the low level of domestic prices) grew by 17% to over 5 million; while foreign travel by Mexicans climbed by 12%; consequently, the surplus generated by tourism exceeded US\$1.1 billion, which was 30% higher than in 1986.

Net external factor payments declined as a result of the combined effect of an increase in interest income from assets held abroad (30%) and a decrease in the interest paid on the external debt (-3%). The balance was far higher than the outflow of business profits, which, even though they jumped by 67%, were still below the levels registered at the beginning of the decade. Total payments for factor services came to US\$7.2 billion, which was equivalent to more than one-fourth of Mexico's annual exports.

Remittances from emigrants exceeded US\$400 million, which was more than the revenue provided by virtually any single traditional export item (see table 13).

c) *The capital account*

The surplus on capital account grew substantially, reaching US\$2.3 billion. Unlike the year before, the country had an appreciable inflow of long-term financing (US\$4.4 billion), a considerable outflow of short-term capital (US\$3.2 billion) and a positive balance of around US\$900 million in the errors and omissions entry (see table 10 and figure 1).

Direct foreign investment rose sharply to over US\$3.2 billion, thereby reaching the highest level recorded thus far in the 1980s. Almost one-third of this total was fresh capital, and nearly half corresponded to swaps whereby public debt was converted into direct investment. The public sector received net financing amounting to around US\$5 billion. Between April and the end of the year, private international banks disbursed US\$4.4 billion, which represented most of the credits provided for by the Economic Incentive and Growth Plan, which was instituted after the 1986 restructuring of the external debt.¹ Additional credits amounting to around US\$800 million were made available by the IMF under a stand-by arrangement signed in 1986. A total of US\$1.7 billion in pending official credits were paid off, and about US\$3.9 billion in amortization payments were made; these payments were concentrated in November and contributed to the exchange rate disturbances observed during that month.

In sum, despite the outflow of short-term capital which followed upon the stock market crash in October, the overall external balance showed a large surplus which permitted international monetary reserves to be increased by around US\$7 billion.

d) *The external debt*

The negotiations undertaken in 1986 concerning an extensive external debt restructuring programme were concluded in 1987. At the same time, an agreement with the private international banking system was finalized. As a result of the latter, the country obtained the financing considered to be essential in order to make up for the income it had lost due to the drop in petroleum prices.

The negotiations concerned a sum approaching US\$80 billion—approximately four-fifths of the total—and involved both official and private sources of financing. This package provided for the rescheduling of amortization payments up to the year 2006—eight years more than what had been stipulated in the schedule set by previous agreements—and progress was made in terms of a longer grace period and lower interest rates.

As regards fresh financing for the 1986-1987 biennium (US\$14.4 billion), the agreement covering the portion to be provided by private banks (US\$7.7 billion), which had remained pending in 1986, was finalized in April 1987 when the last of the 365 participating banks signed the corresponding contract.

The total external debt, which rose to US\$105.6 billion grew by only 4%, since US\$5.6 billion in amortization payments were also made (see table 15).

Despite the agreements reached, other forms of debt payment continued to be explored. The capitalization of liabilities was close to reaching the US\$1.5 billion limit that has been set with a view to dampening possible inflationary effects. In addition, at the close of the year it was announced that a new mechanism would be employed in the immediate future whereby Mexico would subscribe to US\$10 billion in 20-year United States Treasury bonds (zero-coupon bonds) and would offer to exchange part of its debt with private international banks at its market value (approximately half its nominal value) for securities to be issued by Mexico with the backing of these bonds.

¹The total sum was US\$6 billion, plus US\$1.7 billion in stand-by loans. The balance—US\$1.6 billion in regular credits—was to be disbursed in 1988. The stand-by loans were considered to be unnecessary due to the rally in petroleum prices.

4. Prices and wages

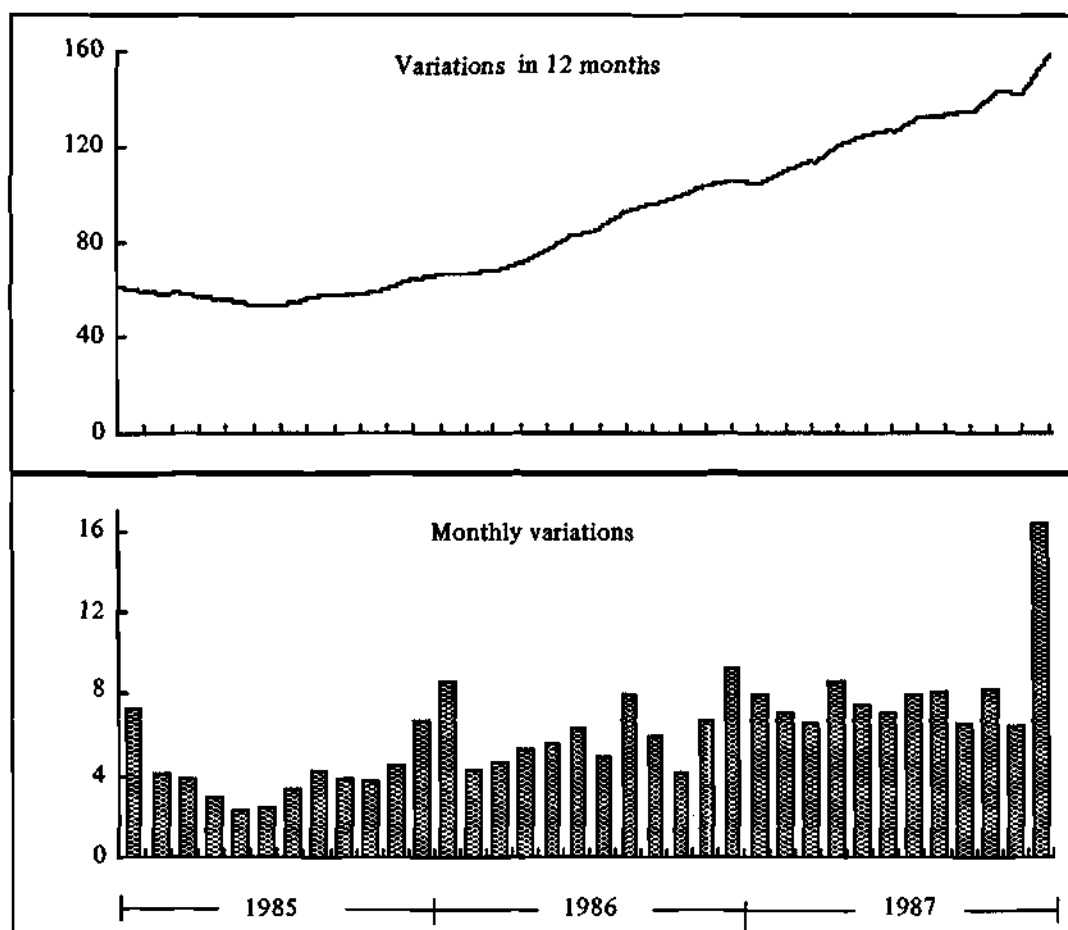
a) **Prices**

The upsurge of inflation was largely a consequence of the large surplus on current account, as well as of inertial factors — particularly the level of public expenditure— and the unfavourable expectations of economic agents.

Thus, the variation in consumer prices jumped from 106% to nearly 160% and showed a tendency to accelerate as the year progressed (see table 16 and figure 2). The sanctioning of the Social Solidarity Pact and some prior measures had a severe impact on the price index in December, as a result of the devaluation of the free and controlled exchange rates and the sharp readjustment of gasoline prices and public-sector rates and charges, which had lagged behind inflation.

No major differentials were to be observed among the consumer price trends in the various sectors except for that of housing, which rose much less than the general index (97%) due to the legislation applying to rentals.

Figure 2
MEXICO: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official data.

b) *Wages*

Wages appear to have decreased especially those of the public sector and minimum wages. The real minimum wage deteriorated by 5%, thus falling to 60% of what it had been in 1982 (see table 17).

In response to the worsening of inflation, wages began to be adjusted on a quarterly basis. The Economic Solidarity Pact, which took effect in December, included an additional wage adjustment due to the fact that it also provided for major corrections in some basic prices, such as the exchange rate and public rates and charges. In addition it modified the mechanism for minimum wage adjustments, which were thenceforth to be made in accordance with the expected inflation rate for a basic shopping basket.

5. Monetary and fiscal policies

a) *Monetary policy*

The significant increase in international reserves gave rise to a very high level of liquidity, which was incompatible with the goal of bringing down inflation. Moreover, the inordinately large current deficit of the public sector threatened to cause an increase in monetary issues as a consequence of its effect on domestic credit. The authorities therefore decided to issue debt paper with a view to absorbing some of the market's liquidity and, at the same time, financing a significant portion of the public-sector's financial deficit.

The acceleration of inflation sped up the velocity of circulation of the money supply. Interest-bearing instruments, however, held steady at constant values. This was because of the enthusiastic response to the savings bonds issued by the government, which grew at a rate that was exactly double that of prices, whereas savings and time deposits declined in real terms (see table 18).

The above trends were related to the interest rates that were offered. While the new instruments were issued primarily in dollars, nominal domestic rates rose slowly—and indeed some were virtually frozen—as inflation continued at a headlong pace. By the end of the year, the real rate had become markedly negative, and consequently represented a disincentive for deposits in the local currency (see table 19).

The public sector financed most of its deficit through domestic and external borrowing, and its demand for credit from the monetary authority therefore decreased. Hence, credit to the private sector was maintained at a level similar to that of the preceding year in real terms (see table 20).

b) *Fiscal policy*

Two opposing factors—the higher level of oil revenues and the increasing expenditure on debt servicing, principally on domestic liabilities—had an impact on public finances. Without reference to either, public finances continued, as in earlier years, to follow a line of financial restraint, with restrictions being imposed on both current expenditures and investment.

The rally in oil prices not only helped to boost the resources of PEMEX, but also drove up the amount of taxes it paid to the federal government. This offset the fall in the revenue of the government and of other para-State bodies affected by the sluggishness of the domestic economy. At the same time, a restrictive public spending policy was still being applied; thus "programmable" expenditures—excluding debt servicing—contracted by 11%, and public finances therefore yielded a primary surplus equivalent to 5% of the GDP (1% in 1986). However, due to the effects which increased borrowing and inflation had on interest rates and the exchange rate, debt servicing rose by 18% in real terms² and came to represent 45% of total expenditure, i.e., one-fifth of the GDP. Consequently, the government was unable to achieve its goal of reducing the financial deficit of the public sector, which was again equivalent to 16% of the GDP³ (see table 21).

²The payments for domestic interest went up by 29%, those corresponding to external interest shrank by 5% and the payments on liabilities declined to one half.

³The percentage variations cited in this chapter are expressed in real terms and correspond to the nominal variations shown in tables 21 and 22. They should be regarded as approximations due to the difficulty of deflating them properly. To this end, the increase in the price index implicit in the GDP (143%) was used.

Public-sector income, which represented 30% of the GDP, remained constant in real terms. The federal government's tax receipts, excluding the taxes paid by PEMEX, diminished by 5% due, in particular, to the lower level of revenue from direct taxes (-8%). Receipts from indirect taxes contracted less (-3%), since although the revenue from taxes on production and services dropped, the income from the taxes on value added and on telephone service rose. The taxes on foreign trade fell more sharply (-11%) as a result of the lowering of taxes on exports and the reduction of import duties. In contrast, the non-tax revenue of the government expanded (3%) because of the disproportionately large increases in rates and charges. Tax evasion continued to be a major problem, since the "underground economy" is estimated to represent between 25% and 30% of the GDP.

Overall, the income of para-State bodies remained stagnant. The increase in PEMEX revenues (9%) —which came from its exports, since domestic sales eroded— contrasted with the 7% drop in the income of the other agencies and enterprises in this sector.

Total public-sector expenditure also held steady in real terms. The high level reached by debt service payments, most of which were made by the federal government, has already been mentioned. Current and investment expenditure decreased by 10% and 7%, respectively, in real terms.

The federal government continued to apply an austerity policy. Thus, its current expenditures, excluding interest payments, fell by 13%, while its capital expenditure dropped by 8% (see table 22). Decreases were also seen in wage payments (-1%) and other consumption expenditure (-24%). A steep reduction (-21%) was made in current transfers financed by the federal government as a consequence of the improvement in the financial situation of para-State bodies or in many cases, of their closure or sales. Finally, government expenditure on investment also contracted due to both the smaller number of public works that were carried out and the decline in real capita transfers to other public entities.

The disbursements of the para-State sector, excluding debt servicing, also diminished (-3%); this was because of the fall in capital expenditure, since current spending increased by 4%.

In order to cover its financial deficit of 31 billion pesos, the public sector resorted mainly to the issuance of government securities, which included the CETES, BONDES and PAGAFES, as well as external financing, thereby lessening its dependence on the Central Bank (see table 21).

Table 1

MEXICO: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	108.8	108.1	103.6	107.3	110.1	105.7	107.2
Gross national income	108.1	102.1	98.3	101.2	105.3	97.2	98.6
Population (millions of inhabitants)	72.2	74.0	75.8	77.6	79.4	81.2	83.0
Per capita gross domestic product	106.2	103.0	96.3	97.5	97.7	91.7	90.9
Growth rates							
B. Short-term economic indicators							
Gross domestic product	8.8	-0.6	-4.1	3.7	2.6	-4.0	1.4
Per capita gross domestic product	6.2	-3.0	-6.4	1.2	0.3	-6.1	-0.8
Gross national income	8.1	-5.5	-3.7	3.0	4.1	-7.7	1.5
Unemployment rate ^{bc}	4.2	4.2	6.6	5.7	4.4	4.3	3.9
Consumer prices							
December to December	28.7	98.8	80.8	59.2	63.7	105.7	159.2
Variation between annual averages	27.9	58.9	101.9	65.4	57.7	86.2	131.8
Real wages and salaries ^d	1.3	3.3	-25.2	-8.3	-1.2	-10.8	-4.7
Money	33.3	54.1	41.4	62.3	53.8	72.1	129.7
Current income of government	36.7	63.9	107.6	56.4	60.6	58.6	157.1
Total expenditure of government	62.9	101.7	73.0	47.2	62.1	96.8	161.9
Fiscal deficit/total government expenditure ^b	30.3	44.1	30.8	29.8	30.8	45.2	45.8
Financial deficit of the public sector/GDP ^b	14.5	17.6	8.9	8.7	9.9	16.0	15.8
Current value of exports of goods and services	23.1	-9.4	3.9	10.9	-8.4	-20.4	25.0
Current value of imports of goods and services	30.6	-40.8	-36.1	27.1	13.9	-11.4	5.1
Terms of trade (goods and services)	3.4	-19.8	0.7	-3.4	2.0	-24.9	4.8
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-4 658	6 302	14 493	14 016	9 259	5 733	10 399
Net payments of profits and interest	9 351	12 815	9 373	10 186	9 060	7 518	7 195
Balance on current account	-14 074	-6 416	5 242	4 059	510	-1 495	3 626
Balance on capital account	15 151	2 843	-3 207	-1 902	-3 272	1 485	2 300
Variation in international reserves (net)	762	-3 469	2 046	2 146	-2 961	-202	6 924
Total external debt	74 900	87 600	93 800	96 700	97 800	100 500	105 600

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cWeighted average of the 16 largest cities. Figures for the years up to 1983 correspond only to the metropolitan areas of Mexico City, Guadalajara and Monterrey.^dWeighted average of general minimum wages, deflated by the national consumer price index for low-income strata.

Table 2

MEXICO: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	105.4	100.6	102.0	114.4	108.8	4.7	3.7	-4.6	1.4
Gross domestic product at market prices	110.1	105.7	107.2	100.0	100.0	3.6	2.6	-4.0	1.4
Imports of goods and services ^b	72.9	64.7	65.7	14.4	8.8	19.6	16.5	-11.2	1.6
Total demand	105.4	100.6	102.0	114.4	108.8	4.7	3.7	-4.6	1.4
Domestic demand	100.2	93.5	92.1	101.2	87.0	4.0	6.2	-6.6	-1.5
Gross domestic investment	75.3	60.0	62.8	27.2	15.9	6.1	12.0	-20.4	4.7
Gross fixed investment	79.8	70.2	69.8	24.8	16.1	6.4	8.1	-12.0	-0.6
Construction	88.8	80.0	81.2	13.9	10.5	3.9	3.6	-9.9	1.6
Machinery	68.3	57.7	55.1	10.9	5.6	11.5	16.6	-15.5	-4.6
Public	65.7	57.2	53.8	10.7	5.4	4.1	-0.7	-13.0	-5.9
Private	90.5	80.1	81.8	14.1	10.8	7.9	13.7	-11.5	2.2
Variation in stocks	29.0	-45.9	-9.3	2.4	-0.2				
Total consumption	109.3	105.8	102.8	74.1	71.1	3.5	4.9	-3.2	-2.8
General government	124.3	126.9	125.7	10.0	11.8	6.6	0.9	2.1	-1.0
Private	106.9	102.5	99.2	64.0	59.3	3.0	5.6	-4.1	-3.2
Exports of goods and services ^b	145.6	154.8	178.3	13.1	21.8	8.0	-8.1	6.3	15.2

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bThe figures on exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were then converted to constant 1980 values using price indexes calculated by ECLAC for that purpose.

Table 3

**MEXICO: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	110.1	105.7	107.2	100.0	100.0	3.6	2.6	-4.0	1.4
Goods	107.1	101.1	103.2	40.0	38.5	4.3	4.4	-5.5	2.1
Agriculture ^b	113.1	110.0	111.6	8.2	8.6	2.7	3.8	-2.7	1.5
Mining	126.4	121.0	126.1	3.2	3.8	2.2	0.1	-4.3	4.2
Manufacturing	106.2	100.2	102.2	22.1	21.1	5.0	6.0	-5.7	2.0
Construction	92.6	83.2	84.6	6.4	5.1	5.4	2.3	-10.2	1.7
Basic services	111.8	109.1	111.9	7.4	7.7	5.1	3.8	-2.4	2.6
Electricity, gas and water	140.9	145.0	150.5	1.0	1.4	5.0	8.4	2.9	3.8
Transport, storage and communications	107.3	103.6	105.9	6.4	6.3	5.1	2.9	-3.5	2.3
Other services	112.5	109.2	110.1	53.7	55.2	3.0	1.1	-2.9	0.8
Commerce, restaurants and hotels	105.1	97.9	97.9	28.0	25.5	2.5	1.2	-6.8	-
Financial institutions, insurance, real estate and business services	126.8	131.3	135.5	8.6	10.9	5.6	3.6	3.5	3.2
Ownership of dwellings	121.8	126.0	129.9	6.6	8.1	4.4	4.2	3.5	3.1
Community, social and personal services	117.3	116.5	117.2	17.2	18.8	2.5	-0.2	-0.7	0.7
Government services	121.8	121.0	122.7	3.0	3.5	5.9	-1.8	-0.7	1.4

Source: ECLAC, on the basis of official figures which were reweighted on the basis of the 1980 current price structure. Consequently, the figures shown do not necessarily coincide with those published by the countries, which were calculated at constant prices.

^aPreliminary figures. ^bIncludes livestock, forestry and fishing.

Table 4

MEXICO: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Index of agricultural production (1970 = 100)								
Agriculture	139.9	161.4	157.0	159.5	2.7	3.8	-2.7	1.5
Livestock	138.4	163.4	154.9	159.4	2.6	5.2	-5.2	2.9
Forestry	138.2	154.0	157.1	154.1	1.5	1.7	2.0	-1.9
Fishing and hunting	135.5	140.1	135.1	140.9	1.7	1.8	-3.6	4.3
	245.6	320.5	314.4	347.4	12.0	3.5	-1.9	10.5
Production of main crops^b								
For export								
Unginned cotton	329	216	144	220	22.2	-22.9	-33.5	52.8
Coffee	193	264	375	456	14.0	-10.2	42.0	21.6
Tomatoes	1 458	1 469	1 454	1 672	6.9	-6.7	-1.0	15.0
For domestic consumption								
Maize	12 383	13 957	11 721	11 570	-1.0	7.9	-16.0	-1.3
Beans	971	906	1 085	1 023	-24.1	-7.0	19.8	-5.7
Wheat	2 785	5 207	4 770	4 415	30.2	15.6	-8.4	-7.4
Sorghum	4 812	6 550	4 833	6 296	2.6	31.7	-26.2	30.3
Sugar cane	36 480	35 689	34 900	30 160	2.1	2.5	-2.2	-13.6
Soya	312	928	709	832	-0.2	35.5	-23.6	17.3
Indicators of livestock production								
Slaughtering^b								
Beef cattle	1 016	980	1 248	1 273	-6.5	1.7	27.4	2.0
Swine	1 251	1 293	959	915	-2.1	-11.1	-25.8	-4.7
Sheep	22	24	24	22	-6.1	14.5	0.5	-9.2
Poultry	429	589	673	672	4.4	12.2	14.3	-
Other products								
Milk ^c	7 021	7 474	6 539	6 350	1.2	4.7	-12.5	-2.9
Eggs ^d	9 666	12 396	14 966	14 625	3.5	11.6	20.7	-2.3

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bThousands of tons.^cThousands of litres.^dMillions of units.

Table 5

MEXICO: INDICATORS OF MINING PRODUCTION^a

	1980	1985	1986	1987 ^b	Growth rates			
					1984	1985	1986	1987 ^b
Indexes (1970 = 100)								
Precious metals	109.6	158.2	168.9	176.9	3.8	8.2	6.8	4.7
Non-ferrous industrial metals	154.6	168.1	161.7	192.8	-2.3	-1.2	-3.8	19.2
Metals and ores for the iron and steel industry	184.7	184.3	172.0	178.5	4.7	-5.3	-6.7	3.8
Non-metallic minerals	125.3	117.6	118.1	128.6	14.1	10.6	0.4	8.9
Production of some important minerals								
Precious metals								
Gold ^c	6 096	7 524	7 795	7 988	1.8	6.6	3.6	2.5
Silver ^d	1 473	2 153	2 303	2 415	3.9	8.4	7.0	4.9
Non-ferrous industrial metals (thousands of tons)								
Lead	146	207	183	177	9.0	13.1	-11.6	-3.3
Copper	175	179	175	231	-7.8	-5.3	-2.2	32.0
Zinc	238	275	271	271	13.3	-5.2	-1.5	-
Bismuth ^d	770	925	749	1 012	-20.6	113.6	-19.0	35.1
Cadmium ^d	1 791	1 140	1 183	1 249	-18.0	0.4	-2.1	5.6
Metals and ores for the iron and steel industry								
Coke	2 409	2 390	2 050	2 340	-2.0	0.6	-13.9	14.1
Iron ore	5 087	5 161	4 817	4 965	4.0	-6.0	-6.7	3.1
Manganese	161	151	174	146	36.1	-20.1	15.2	-16.1
Non-metallic minerals								
Sulphur	2 102	2 020	2 050	2 304	14.0	10.6	1.5	12.4
Fluorite	916	697	757	724	12.6	11.2	8.6	-4.4
Barite	269	468	321	401	19.3	9.9	-31.4	24.9

Source: ECLAC, on the basis of figures provided by the Ministry of Programming and the Budget.

^aDoes not cover quarrying or the extraction of sand, gravel or clay, or petroleum activities.^bPreliminary^cKilogrammes.^dTons.

Table 6

MEXICO: INDICATORS OF PETROLEUM ACTIVITY

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Index of extraction of crude oil and natural gas (1970 = 100)	381.8	518.0	490.3	511.6	2.6	-2.7	-5.3	4.3
Production of main items								
Petroleum ^b	779	1 090	1 031	1 078	3.7	-2.5	-5.4	4.6
Crude and condensate	708	987	913	955	4.4	-3.7	-7.5	4.6
Gas liquids	71	103	118	123	-3.2	9.6	14.5	4.6
Natural gas ^c	36 772	37 247	35 463	36 159	-7.2	-4.2	-4.8	2.0
Refined products ^b	416	519	505	520	7.5	3.4	-2.7	3.0
Gasoline	120	134	135	138	2.1	1.0	1.2	2.4
Diesel oil	89	90	89	85	4.1	5.4	-1.3	-4.2
Fuel oil	113	145	148	155	7.1	6.2	1.9	4.7
Other	94	150	133	142	16.5	1.4	-11.3	6.8
Exports								
Crude oil ^b	303	524	471	491	-0.5	-5.9	-10.2	4.3
Natural gas ^c	2 903	-	-	-	-31.8	-100.0	-	-
Other indicators^b								
Proven reserves	60 126	70 900	70 000	69 000	1.0	-1.2	-1.3	-1.4
Domestic consumption of petroleum	476	566	560	587	8.3	0.8	-1.1	4.8

Source: ECLAC, on the basis of figures supplied by Petróleos Mexicanos.

^aPreliminary figures.^bMillions of barrels.^cMillions of cubic metres.

Table 7

MEXICO: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Index of manufacturing production (1970 = 100)	198.8	212.0	203.4	207.7	4.9	6.3	-4.1	2.1
Food, beverages and tobacco	166.6	192.7	192.2	193.3	1.4	4.6	-0.3	0.6
Textiles and clothing	168.6	167.8	161.0	160.9	1.4	5.5	-4.1	-0.1
Wood	180.0	202.4	191.9	187.8	3.8	4.7	-5.2	-2.1
Paper and printed matter	192.2	226.4	219.9	218.3	8.4	8.5	-2.9	-0.7
Chemicals, rubber and plastics	242.7	293.4	293.4	307.7	6.2	-4.0	-	4.9
Non-metallic minerals	193.4	185.5	158.5	179.2	7.6	9.0	-14.6	13.1
Basic metals	202.1	196.5	178.9	198.8	13.6	-2.5	-9.0	11.1
Metal products and machinery	242.8	215.7	192.7	189.6	7.6	14.6	-10.7	-1.6
Production of some major manufactures								
Beer	187.2	199.6	204.8	222.9	6.1	10.9	2.6	8.8
Basic petrochemicals	325.3	555.9	658.6	763.7	1.1	2.1	18.5	16.0
Fertilizers	313.4	359.1	337.9	336.4	9.0	14.6	-5.9	-0.4
Cast iron	227.7	214.9	218.3	226.4	6.8	-7.5	1.6	3.7
Motor vehicles	300.3	248.0	178.9	198.5	22.9	26.8	-27.9	11.0
Other indicators of manufacturing production								
Consumption of electricity by industry ^b	28.7	40.1	40.9	43.3	8.6	7.5	2.0	5.6

Source: ECLAC, on the basis of figures provided by the Ministry of Programming and the Budget and the Banco de México.

^aPreliminary figures.

^bBillions of kWh. Does not include power used for pumping.

Table 8

MEXICO: CONSTRUCTION INDICATORS

	1980	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Index of volume of construction (1970 = 100)	208.2	187.8	163.9	167.6	3.8	3.1	-12.6	2.3
Production of main inputs								
Cement	228.3	289.2	275.8	310.3	8.5	12.2	-4.6	12.5
Reinforcing rods	262.9	225.3	240.9	261.2	7.9	-10.8	6.9	8.4
Structural profiles	262.0	188.0	159.9	182.9	12.2	-4.4	-14.9	14.4
Seamless tubes	129.7	157.7	111.9	155.9	39.4	-10.5	-29.0	39.3
Plain, and worked sheet glass	238.6	211.7	168.4	222.6	3.9	9.1	-20.5	32.2
Refractory bricks and panels	114.8	109.4	85.3	82.0	15.3	-4.7	-22.0	-3.9

Source: ECLAC, on the basis of figures provided by the Banco de México and the Ministry of Programming and the Budget.

^aPreliminary figures.

Table 9

MEXICO: EMPLOYMENT INDICATORS

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Urban unemployment ^b	5.7	4.4	4.3	3.9				
First quarter	5.5	5.2	4.1	4.4				
Second quarter	5.2	3.9	3.8	4.0				
Third quarter	6.3	4.6	4.9	3.9				
Fourth quarter	5.8	3.7	4.4	3.2				
Registered with the Mexican Social Security Institute ^c	122.4	132.9	133.6	139.7	4.9	8.5	0.5	4.6
Permanent	124.6	132.8	136.4	143.0	5.7	6.6	2.7	4.8
Casual	112.0	133.3	120.0	123.6	0.8	19.0	-10.0	3.0
Personnel employed in manufacturing ^c	140.8	144.1	138.3	133.6	-1.1	2.3	-4.0	-3.4
Man-hours in manufacturing ^c	132.6	137.2	129.8	124.4	-0.4	3.5	-5.4	-4.2
Personnel employed in inbond assembly industry ^c	167.0	177.3	207.6	254.0	32.3	6.2	17.1	22.4

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bPercentages. Weighted average of the 16 largest cities.

^cIndex: 1980 = 100.

Table 10

MEXICO: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-8 305	-14 074	-6 416	5 242	4 059	510	-1 495	3 626
Trade balance	-2 225	-4 658	6 302	14 493	14 016	9 259	5 733	10 399
Exports of goods and services	23 458	28 884	26 168	27 188	30 157	27 639	22 012	27 510
Goods, FOB	16 067	19 938	21 230	22 320	24 196	21 667	16 028	20 656
Real services ^b	7 390	8 947	4 938	4 867	5 961	5 971	5 984	6 854
Transport and insurance	446	476	425	471	570	579	567	662
Travel	5 243	6 347	2 639	2 727	3 284	2 926	2 989	3 498
Imports of goods and services	25 683	33 542	19 866	12 695	16 142	18 380	16 279	17 111
Goods, FOB	18 897	24 038	14 434	8 553	11 256	13 218	11 451	12 223
Real services ^b	6 789	9 505	5 431	4 141	4 887	5 162	4 828	4 888
Transport and insurance	1 934	2 389	1 730	1 279	1 387	1 394	1 309	1 335
Travel	4 174	6 155	2 208	1 582	2 168	2 265	2 108	2 362
Factor services	-6 209	-9 531	-12 815	-9 373	-10 186	-9 060	-7 518	-7 195
Profits	-1 387	-1 898	-1 390	-383	-458	-627	-626	-1 047
Interest received	1 022	1 386	1 324	1 281	2 073	1 827	1 427	1 857
Interest paid	-5 476	-8 384	-12 373	-10 190	-11 775	-10 227	-8 393	-8 116
Other	-368	-635	-377	-81	-26	-32	75	111
Unrequited private transfer payments	132	114	98	121	230	311	290	422
Balance on capital account	9 262	15 151	2 843	-3 207	-1 902	-3 272	1 485	2 300
Unrequited official transfer payments	144	175	198	180	180	683	199	246
Long-term capital	7 776	13 044	15 194	7 302	2 504	-316	104	4 356
Direct investment (net)	2 185	2 537	1 656	462	389	502	895	3 248
Portfolio investment (net)	-75	987	946	-625	-757	-1 010	-541	...
Other long-term capital	5 666	9 521	12 592	7 464	2 872	193	-250	...
Official sector ^c	655	618	9 620	14 606	2 826	11 313	-259	4 997
Loans received	1 149	1 803	10 003	15 545	2 827	11 564	386	6 690
Amortization payments	-494	-1 185	-384	-938	-1	-260	-646	-1 693
Commercial banks ^c	1 134	2 973	604	1 431	459	71	561	...
Loans received	2 559	4 736	3 819	2 382	1 461	1 785	2 529	...
Amortization payments	-1 425	-1 764	-3 215	-951	-1 003	-1 714	-1 969	...
Other sectors ^c	3 877	5 929	2 368	-8 573	-414	-11 191	-551	...
Loans received	5 491	7 912	7 979	1 417	913	1 012	963	...
Amortization payments	-1 627	-1 624	-5 441	-9 872	-1 354	-12 250	-1 492	...
Short-term capital (net)	5 113	10 163	-7 233	-9 608	-3 579	-1 800	1 435	-3 157
Official sector	-	-	1 217	-1 216	-	-	-	...
Commercial banks	2 317	6 127	-1 417	-576	342	-18	-63	...
Other sectors	2 796	4 036	-7 033	-7 817	-3 921	-1 782	1 498	...
Net errors and omissions	-3 770	-8 235	-5 316	-1 074	-1 006	-1 841	-256	855
Global balance^d	956	1 076	-3 573	2 034	2 157	-2 763	-9	5 926
Total variation in reserves								
(- sign indicates an increase)	-938	-762	3 469	-2 046	-2 146	2 961	202	-6 924
Monetary gold	-4	-7	7	-6	122	-23	-124	...
Special Drawing Rights	56	-34	172	-17	20	3	-9	...
IMF reserve position	-128	-60	187	-95	95	-	-	...
Foreign exchange assets	-727	-662	2 881	-2 967	-3 488	2 377	-755	...
Other assets	-	-	-	-	-	-	-	...
Use made of IMF credit	-136	-	222	1 039	1 104	604	1 091	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans received and other assets and liabilities. ^dIs equal to total variation in reserves (of opposite sign), plus counterpart items.

Table 11

MEXICO: EVOLUTION OF EXCHANGE RATES

Annual and quarterly averages	Official exchange rate (pesos per dollar)		Indexes of the effective real exchange rate ^b			
	Free	Controlled ^a	Exports		Imports	
			A	B	A	B
1970-1979	16		109.4		108.0	
1980	23		100.0		100.0	
1981	25		90.5		91.1	
1982	56		133.2		135.0	
1983	150	120	169.8	135.7	173.9	138.9
1984	185	168	124.3	112.6	127.4	115.4
1985	310	257	133.1	111.2	136.0	113.7
1986	637	612	153.4	146.4	154.1	147.1
1987	1 406	1 378	155.2	153.3	154.6	152.7
1985						
I	218	201	109.8	101.1	112.9	103.9
II	236	219	107.5	99.6	110.2	102.0
III	336	275	142.5	116.5	145.5	118.9
IV	451	334	172.4	127.6	175.3	129.8
1986						
I	463	424	147.3	134.8	148.8	136.2
II	554	522	151.7	143.1	152.5	143.8
III	687	666	155.8	151.0	156.0	151.3
IV	847	836	158.6	156.6	159.2	157.1
1987						
I	1 018	1 026	162.2	163.5	162.4	163.7
II	1 230	1 242	155.6	157.1	155.3	156.8
III	1 452	1 461	144.4	145.3	144.0	144.9
IV	1 923	1 785	158.4	147.1	156.8	145.5

Source: ECLAC, on the basis of data provided by the Banco de México and the International Monetary Fund.

Note: A: Calculated on the basis of the free exchange rate. B: Calculated on the basis of the controlled exchange rate.

^aAs from August 1982, a dual exchange rate was adopted which was known first as the "preferential" and later as the "controlled" rate.

^bCorresponds to the average of the indexes of the real exchange rate for the peso with respect to the currencies of Mexico's main trade partners, weighted according to the relative significance of exports or imports, as applicable, to or from these countries. From 1970 to 1980 these weightings correspond to the average for the 1975-1979 period and as from 1981, to the average for the 1982-1985 period. Wholesale price indexes were used in these calculations whenever possible. For further information on the methodology and sources used, see the technical appendix of the *Economic Survey of Latin America*, 1981.

Table 12

MEXICO: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	24.1	6.5	5.1	8.4	-10.5	-26.0	28.9
Volume	16.2	27.1	19.4	8.8	-9.2	1.9	16.3
Unit value	6.8	-16.2	-12.0	-0.4	-1.4	-27.4	10.9
Imports (FOB)							
Value	27.2	-40.0	-40.7	31.6	17.4	-13.4	6.7
Volume	20.4	-38.3	-28.3	22.6	21.1	-11.2	1.7
Unit value	5.6	-2.6	-17.4	7.4	-3.0	-2.4	5.0
Terms of trade FOB/CIF	0.9	-14.2	5.5	-7.5	1.7	-25.7	5.7
Indexes (1980 = 100)							
Purchasing power of exports	117.3	127.9	161.2	162.3	149.8	113.4	139.3
Volume of exports	116.2	147.6	176.3	191.8	174.2	177.5	206.4
Volume of imports	120.4	74.3	53.3	65.3	79.1	70.2	71.4
Terms of trade FOB/CIF	100.9	86.6	91.4	84.6	86.0	63.9	67.5

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 13

MEXICO: EXPORTS OF GOODS, FOB^a

	Millions of dollars			Percentage breakdown		Growth rates			
	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Total exports (merchandise, FOB)	21 664	16 031	20 656	100.0	100.0	8.4	-10.5	-26.0	28.9
Hydrocarbons	14 660	6 220	8 509	64.1	41.2	3.5	-10.8	-57.6	36.7
Crude oil	13 309	5 580	7 877	58.7	38.1	1.2	-11.1	-58.1	41.2
Petroleum products	1 351	640	632	2.7	3.1	68.6	8.6	-52.7	-1.2
Natural gas	-	-	-	2.8	-	-34.6	-	-	-
Non-petroleum products	7 004	9 811	12 147	35.9	58.8	20.4	-9.7	40.1	23.8
Main traditional exports	2 129	2 839	2 453	10.5	11.9	7.5	-4.9	33.3	-15.6
Unprocessed coffee beans	492	825	492	2.6	2.4	10.1	16.0	67.7	-40.4
Shrimps	323	354	435	2.4	2.1	5.7	-19.7	9.6	22.9
Silver	262	308	361	...	1.7	-15.6	-21.8	17.6	11.2
Pulses and fresh vegetables	214	198	238	1.0	1.2	20.1	19.6	-7.5	20.2
Tomatoes	214	408	200	1.2	1.0	97.3	-3.2	90.7	-50.9
Beef cattle	187	265	192	0.5	0.9	-32.5	67.0	41.7	-27.5
Copper	148	162	161	1.0	0.8	-17.2	-19.6	9.5	-0.6
Sulphur	113	135	159	0.7	0.8	-13.9	21.5	19.5	17.8
Fresh fruit	86	110	143	0.6	0.7	70.2	7.5	27.9	30.0
Cotton	90	74	72	2.0	0.3	79.3	-56.7	-17.8	-2.7
Main non-traditional exports	3 890	5 601	7 787	12.7	37.7	51.0	-4.6	44.0	39.0
Metal products, machinery and equipment	2 129	3 283	4 618	5.9	22.3	95.1	2.7	54.2	40.7
Motor-vehicle parts	1 432	1 619	1 872	1.6	9.1	41.8	23.8	13.1	15.6
Automobiles and trucks	140	546	1 325	0.8	6.4	20.3	-5.4	290.0	142.7
Chemicals	674	830	1 093	2.5	5.3	20.2	-10.7	23.1	31.7
Food and beverages ^c	428	583	878	2.4	4.3	13.4	2.1	36.2	50.6
Iron and steel products	239	443	630	0.4	3.0	18.5	-26.8	85.4	42.2
Non-metallic mineral products	313	375	447	0.8	2.2	37.6	8.3	19.8	19.2
Petrochemicals	107	87	121	0.7	0.6	18.4	-33.5	-18.7	39.1
Other	985	1 371	1 907	12.7	9.2	-13.0	-31.6	39.2	39.1

Source: ECLAC, on the basis of official figures.

^aExcluding inbond assembly.^bPreliminary figures.^cExcluding frozen shrimps.

Table 14

MEXICO: IMPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total imports									
(merchandise, FOB)	13 212	11 432	12 223	100.0	100.0	31.6	17.4	-13.4	6.7
Public sector	4 387	3 344	2 780	43.3	22.7	11.2	-8.4	-23.8	-16.9
Private sector	8 825	8 088	9 443	56.7	77.3	53.1	36.5	-8.4	16.8
Consumer goods	1 082	846	768	12.8	6.3	38.1	27.6	-21.8	-9.2
Processed food	301	264	287	5.0	2.3	-24.9	5.2	-12.3	8.7
Butane and propane gas	318	171	84	0.8	0.7	453.5	40.1	-46.2	-50.9
Intermediate goods	8 966	7 632	8 824	58.4	72.2	36.5	14.5	-14.8	15.6
Metal products	2 894	2 855	3 172	18.7	26.0	58.9	32.2	-1.5	11.1
Motor-vehicle equipment	841	715	1 082	7.6	8.9	60.5	46.7	-15.0	51.3
Chemicals	1 342	1 184	1 353	7.5	11.0	36.3	14.1	-11.8	14.3
Crop-farming products	1 170	679	929	8.0	7.6	-1.5	-24.7	-42.0	36.8
Maize	255	166	283	3.1	2.3	-41.7	-30.5	-34.9	70.5
Soybeans	275	167	219	1.6	1.7	84.8	-31.8	-39.3	31.1
Sorghum	264	78	62	0.9	5.0	16.4	-27.3	-70.5	-20.5
Iron and steel products	720	599	593	9.4	4.9	76.6	-2.4	-16.8	-1.0
Paper, printed matter and publications	339	342	542	2.7	4.4	26.0	7.6	0.9	58.5
Petrochemicals	690	490	535	2.8	4.4	21.6	47.4	-29.0	9.2
Petroleum products	331	267	369	0.8	3.0	27.7	40.9	-19.4	38.2
Capital goods	3 164	2 954	2 631	26.6	21.5	17.1	23.0	-6.4	-10.9
Metal products, machinery and equipment	2 908	2 767	2 471	26.1	20.2	16.0	18.5	-4.8	-10.7
Other unclassified goods	-	-	-	2.2	-	-	-	-	-

Source: ECLAC, on the basis of figures provided by the Banco de México.

^a Preliminary figures.

Table 15

MEXICO: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981	1982	1983	1984	1985	1986	1987 ^a
Billions of dollars							
Total external debt							
Balances	74.9	87.6	93.8	96.7	97.8	100.5	105.6
Disbursements	28.8	17.5	12.5	5.3	4.7	6.1	10.7
Service	13.0	19.4	14.3	14.3	13.5	11.7	13.7
Amortization payments	4.6	7.0	4.0	2.4	3.6	3.4	5.6
Interest payments	8.4	12.4	10.3	11.9	9.9	8.3	8.1
External public debt							
Balances	53.0	58.9	62.6	69.4	72.1	75.4	81.4
Medium- and long-term	42.2	49.6	52.8	69.0	71.6	74.0	80.8
Short-term	10.8	9.3	9.8	0.4	0.5	1.4	0.6
Disbursements	20.4	9.5	5.6	7.8	4.6	6.1	9.3
Service ^b	6.6	12.0	8.4	8.6	9.5	8.9	9.0
Amortization payments	1.2	3.6	1.9	1.0	1.9	2.8	3.3
Interest payments	5.4	8.4	6.5	7.6	7.6	6.1	5.7
Percentages							
Ratios							
Total external debt/exports of goods and services	259.3	334.8	345.1	222.1	353.6	456.9	383.7
Debt service/exports of goods and services	22.9	75.3	37.5	59.1	49.0	53.2	49.8
Net interest payments/exports of goods and services	29.1	47.4	38.0	39.6	35.8	37.7	29.4
Debt service/disbursements	45.1	112.6	81.6	269.8	321.4	191.8	128.0

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and Public Credit, the Banco de México and the International Monetary Fund.

^a Preliminary figures. ^b Since 1982, includes the service on the debt of the nationalized banking sector.

Table 16

MEXICO: DOMESTIC PRICES

	1981	1982	1983	1984	1985	1986	1987
Variation December to December							
Consumer price index ^a	28.7	98.8	80.8	59.2	63.7	105.7	159.2
Food	24.7	89.8	77.9	70.6	57.5	108.7	150.2
Goods subject to price controls	...	...	...	...	61.8	121.8	156.8
Goods not subject to price controls	...	...	...	...	64.7	97.3	160.8
Family shopping basket, minimum-wage earners	27.9	92.8	78.4	63.3	60.9	112.5	148.9
Wholesale price index ^b	27.2	92.6	88.0	63.2	63.4	101.6	164.6
Producer price index ^a	...	93.5	80.2	60.1	61.1	102.3	166.7
Crop-farming products ^c	...	...	...	...	61.4	70.6	151.8
Goods produced by private enterprises	...	...	...	...	60.0	109.8	171.5
Goods produced by public enterprises ^d	...	...	...	...	71.7	104.9	151.6
Raw materials	...	...	...	...	55.9	111.3	169.7
Building cost index ^e	31.2	73.7	75.6	56.0	60.6	96.6	201.9
Variation between annual averages							
Consumer price index ^a	27.9	58.9	101.9	65.4	57.7	86.2	131.8
Food	26.2	53.5	91.1	74.9	59.8	85.7	131.1
Goods subject to price controls	...	...	...	...	59.4	94.0	136.3
Goods not subject to price controls	...	...	...	...	56.9	82.0	129.3
Family shopping basket, minimum-wage earners	28.5	54.9	97.0	69.8	57.7	91.6	128.1
Wholesale price index ^b	24.5	56.1	107.4	70.3	53.6	87.3	135.6
Producer price index ^a	25.5	57.5	99.3	63.6	55.2	79.5	145.3
Crop-farming products ^c	36.8	35.1	78.7	97.4	60.0	73.5	120.3
Goods produced by private enterprises	27.2	53.3	97.2	66.4	54.6	77.8	128.2
Goods produced by public enterprises ^d	23.0	76.6	146.9	76.6	51.6	78.8	128.3
Raw materials	22.6	56.4	116.2	71.8	53.3	81.2	134.7
Building cost index ^e	29.0	54.8	83.9	56.4	55.2	78.5	142.6

Source: ECLAC, on the basis of figures provided by the Banco de México.

^aNational.^bIn Mexico City.^cSupport prices paid to farmers.^dExcludes petroleum for export.^eNational, for low-income housing.

Table 17

MEXICO: MINIMUM WAGES^a

	Indexes (1976 = 100)		Growth rates	
	Nominal wages	Real wages	Nominal wages	Real wages
1977	128.2	99.5	28.2	-0.5
1978	145.5	96.0	13.5	-3.6
1979	168.3	94.7	15.7	-1.4
1980	197.7	87.7	17.5	-7.4
1981	257.3	88.8	30.1	1.3
1982 ^b	412.0	91.7	60.1	3.3
1983	606.7	68.6	47.3	-25.2
1984	935.7	62.9	54.2	-8.3
1985	1 456.7	62.1	55.7	-1.2
1986	2 486.5	55.4	70.7	-10.8
1987	5 410.9	52.8	117.6	-4.7

Source: ECLAC, on the basis of figures from the National Commission on Minimum Wages and the Banco de México.

^a Refers to general minimum wages. Reflects the annual average of the wages paid in the different wage zones, weighted by the wage-earning population in each zone according to census data. The results were deflated by the national consumer price index for low-income strata.

^b It was assumed that the (non-binding) presidential recommendation of a 30% increase in minimum wages as from 18 February was followed by only 40% of the enterprises in the country, and that its application gradually became more widespread until it became law on 1 November.

Table 18
MEXICO: MONETARY INDICATORS

	Year-end balances (billions of pesos)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Monetary base	4 834	5 679	8 390	14 285	54.1	17.5	47.7	70.3
2. Money (M ₁)	2 321	3 570	6 145	14 116	62.3	53.8	72.1	129.7
Currency outside banks	1 119	1 732	3 059	7 318	65.0	54.8	76.6	139.2
Current account deposits ^b	1 202	1 838	3 086	6 798	61.8	52.9	67.9	120.3
3. Quasi-money	7 374	10 652	22 327	59 753	73.1	44.5	109.6	167.6
Bank instruments ^c	6 650	9 558	19 380	47 389	72.9	43.7	102.8	144.5
Non-bank instruments ^d	724	1 094	2 947	12 364	74.0	51.1	169.4	319.5
4. Money plus quasi-money (M ₂)	9 695	14 222	28 472	73 869	70.4	46.7	100.2	159.4
5. Time deposits	594	1 344	3 343	8 204	47.0	126.3	148.7	145.4
6. Total savings instruments (4 + 5)	10 289	15 566	31 815	82 073	68.8	51.3	104.4	158.0
7. Domestic credit	15 183	27 131	58 287	132 538	48.4	78.7	114.8	127.4
To public sector	10 432	19 519	44 769	97 531	37.1	87.1	129.4	117.9
Government ^e	7 530	14 938	34 723	78 460	33.7	98.4	132.4	126.0
Public institutions	2 902	4 581	10 046	19 071	47.1	57.9	119.3	89.8
To private sector	4 196	6 670	11 481	29 189	86.4	59.0	72.1	154.2
To financial sectors	433	732	1 513	4 325	51.4	69.1	106.7	185.8
To other sectors	122	210	524	1 493	40.2	72.1	149.5	184.9
Monetary multipliers								
(coefficients)								
M ₁ /Monetary base	0.48	0.63	0.73	0.99				
M ₂ /Monetary base	2.01	2.50	3.39	5.17				
Velocity of circulation: GDP/M ₁	15.33	15.47	19.60	23.01				

Source: ECLAC, on the basis of figures supplied by the Banco de México.

^aPreliminary figures. ^bIn foreign currency. ^cWith maturities of up to one year, and bank acceptances.

^dCETES, PAGAFES, BONDES and commercial paper. ^eIncludes the federal, state and municipal governments and the Federal District Department.

Table 19

MEXICO: INTEREST RATES ON DEPOSITS

	Average cost of procuring deposits ^{ab}	3-month promissory notes issued by banks and convertible to liquid assets at maturity		3-month treasury certificates	
		Nominal ^b	Real ^c	Nominal ^b	Real ^c
1984	50.9	49.9	1.0	49.3	0.3
I	54.1	51.4	-	49.7	-1.2
II	50.5	50.4	10.0	49.1	8.2
III	50.7	50.4	7.8	50.3	7.8
IV	48.4	47.5	-14.0	48.2	-13.6
1985	56.1	59.5	4.9	62.4	8.5
I	48.0	48.9	9.5	51.3	11.7
II	53.5	56.0	13.0	58.1	18.3
III	59.0	64.2	7.8	70.5	13.9
IV	63.8	68.8	-10.7	69.8	-10.0
1986	80.9	84.7	3.1	88.6 ^d	6.2
I	70.2	75.2	8.2	76.0	9.1
II	75.2	80.9	2.4	81.7	2.8
III	84.5	88.3	4.5	91.1 ^d	6.1
IV	93.7	94.3	-2.8	105.5	6.6
1987	94.7	97.3	-12.0	103.1	-8.0
I	96.1	94.3	-4.0	103.9	4.9
II	94.8	94.3	-5.9	98.8	0.4
III	92.0	94.3	-15.0	96.3	-11.1
IV	95.7	106.1	-23.2	113.4	-26.2

Source: ECLAC, on the basis of figures supplied by the Banco de México.

^aNo real rates are given for the average cost of procuring deposits due to the impossibility of deflating that cost on an adequate time base because it represents an average of interest rates on deposits of varying terms. ^bNet rates expressed in annual percentages. ^cYearly rates. In order to deflate these rates, the quarterly national consumer price index was used. ^dNot quoted in August and September.

Table 20
**MEXICO: BANK CREDIT RECEIVED BY ENTERPRISES
 AND INDIVIDUALS^a**

	Year-end balances (billions of pesos)				Growth rates			
	1984	1985	1986	1987 ^b	1984	1985	1986	1987 ^b
Total	7 778	12 562	24 819	58 837	67.4	61.5	97.6	137.0
Primary activities	1 148	2 016	3 726	9 011	94.2	75.6	84.8	141.8
Agriculture	801	1 267	1 818	3 692	87.6	58.2	43.4	103.0
Mining and others	347	749	1 908	5 319	115.9	115.9	154.7	178.8
Industry	3 397	5 370	10 552	24 234	53.3	58.1	96.5	129.7
Energy sector	1 225	1 940	4 210	8 653	39.2	58.4	117.0	105.5
Processing industries	1 873	3 044	5 808	14 565	62.7	62.5	90.8	150.8
Construction	299	386	534	1 016	61.6	29.1	38.3	90.3
Low-cost housing	374	657	1 241	2 834	122.6	75.7	88.9	128.4
Services and other activities	1 838	3 144	6 857	17 429	53.0	71.1	118.1	154.2
Commerce	1 021	1 375	2 443	5 327	116.8	34.7	77.7	118.1

Source: ECLAC, on the basis of figures provided by the Banco de México.

^aIncludes public and private enterprises. Excludes financing from the Banco de México and development funds.

^bPreliminary figures.

Table 21

MEXICO: CONSOLIDATED PUBLIC SECTOR INCOME AND EXPENDITURE

	Billions of pesos				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Total income	9 818	14 788	24 082	58 706	109.3	66.5	50.6	62.8	143.8
Federal government	4 975	7 991	12 670	32 577	107.6	56.4	60.6	58.6	157.1
Bodies and enterprises under government control	7 348	10 932	15 881	38 543	125.0	65.7	48.8	45.3	142.7
PEMEX	3 844	5 464	7 134	18 997	162.9	51.0	42.1	30.6	166.3
Other	3 504	5 468	8 747	19 546	88.3	85.5	55.2	60.0	123.5
Unbudgeted sector ^b	529	757	1 366	3 329	73.1	78.7	43.1	80.4	143.7
Less: compensated operations	3 034	4 891	5 835	15 742	134.7	50.5	61.2	19.3	169.8
Total expenditure	11 925	18 596	35 548	86 494	68.6	62.9	55.9	91.2	143.3
Federal government	7 111	11 572	23 011	60 043	70.1	54.6	62.7	98.9	160.9
Bodies and enterprises under government control	7 133	10 713	16 213	38 416	98.0	65.3	50.2	51.3	136.9
PEMEX	3 340	5 045	7 146	19 092	101.0	50.7	51.0	41.6	167.2
Other	3 793	5 668	9 067	19 324	94.9	80.9	49.4	60.0	113.1
Unbudgeted sector ^b	714	1 204	2 158	3 778	32.5	68.4	68.6	79.2	75.1
Less: cleared operations	3 034	4 891	5 835	15 742	134.7	50.5	61.2	19.3	169.8
Economic deficit	2 106	3 809	11 805^c	29 061	42.6	47.7	80.9	209.9	146.2
Federal government	2 136	3 581	10 341	27 467	21.1	50.6	67.6	188.8	165.6
Bodies and enterprises under government control	-215	-219	332	-127	...	77.7	-12.6	...	...
PEMEX	-504	-419	12	95	...	53.7	-16.8	...	691.7
Other	289	200	319	-222	183.6	39.6	-31.8	59.5	...
Unbudgeted sector ^b	185	446	793	449	-14.1	44.6	141.1	77.8	-43.4
Financial intermediation^d	399	726	881	1 939	-26.4	320.0	82.0	21.3	120.1
Financial deficit	2 505	4 535	12 686	31 000	-8.1	64.7	81.0	179.7	144.4
Financing									
Domestic	2 128	4 413	11 722	28 223					
Banco de México	1 029	1 854	3 431	1 583					
Other	1 099	2 559	8 291	26 640					
External	377	122	964	2 777					
Ratios (percentages)									
Total income/GDP	34.2	32.4	30.3	30.0					
Total expenditure/GDP	41.5	40.8	44.8	44.2					
Total expenditure excluding interest payments/GDP	24.9	28.5	28.3	24.7					
Financial deficit/GDP	8.7	9.9	16.0	15.8					
Domestic financing/deficit	85.0	105.4	92.4	91.0					
External financing/deficit	15.0	-5.4	7.6	9.0					

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and Public Credit and by the Banco de México.

^aPreliminary figures.^bIncludes the telephone company, the collective transport system, the Federal District Department and, up to the end of 1983, Altos Hornos de México, S.A.^cIncludes 479 billion pesos of difference with the sources of financing.^dDevelopment trust funds and funds operated by development banks to benefit the private social sector.

Table 22

MEXICO: FEDERAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of pesos				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	4 975	7 990	12 670	32 577	56.4	60.6	58.6	157.1
Income from PEMEX	1 708	2 741	2 980	10 163	46.0	60.5	8.7	241.0
Income excluding PEMEX	3 267	5 249	9 690	22 414	62.5	60.7	84.6	131.3
Tax revenue	3 036	4 837	8 922	20 503	66.1	59.3	84.5	129.8
Direct	1 204	1 923	3 365	7 556	65.6	59.7	75.0	124.5
Indirect	1 695	2 608	4 876	11 468	67.0	53.9	87.0	135.0
On foreign trade	137	306	681	1 479	64.0	123.4	122.5	117.2
Non-tax revenue	231	413	768	1 911	26.2	78.8	86.0	148.8
2. Current expenditure	6 226	9 840	20 076	53 655	59.0	58.0	104.0	167.3
Wages and salaries	999	1 549	2 495	5 939	72.2	55.1	60.7	138.5
Interest payments	2 573	4 217	10 753	33 941	61.3	63.9	155.0	215.6
Transfers	1 319	2 142	3 290	6 311	32.2	62.4	53.6	91.8
Other current expenditure	1 335	1 932	3 543	7 464	79.4	44.7	83.4	110.7
3. Current savings (1-2)	-1 251	-1 850	-7 406	-21 078				
4. Capital expenditure	951	1 792	2 814	6 299	39.9	88.4	57.0	123.8
Real investment	263	451	793	1 841	89.2	71.5	75.8	132.2
Capital transfers	540	1 077	1 838	4 201	22.4	99.4	70.7	128.6
Other capital expenditure	148	265	183	257	48.0	79.1	-30.5	40.4
5. Total expenditure (2 + 4)	7 177	11 632	22 890	59 954	47.2	62.1	96.8	161.9
6. Budget deficit (1-5)	2 202	3 642	10 220	27 377	55.6	65.4	180.6	167.9
7. Account not under budgetary control	66	61	121	89				
8. Total deficit (6 + 7)	2 136	3 581	10 341	27 466	50.6	67.6	188.8	165.6
Ratios (percentages)								
Current savings/capital expenditure	-131.5	-103.2	-263.2	334.6				
Fiscal deficit/total expenditure	29.8	30.8	45.2	45.8				
Tax revenue (including PEMEX)/GDP	17.3	17.5	15.0	15.7				
Tax revenue (excluding PEMEX)/GDP	11.4	11.5	11.2	10.5				
Total expenditure/GDP	25.0	25.5	28.8	30.6				
Fiscal deficit/GDP	7.4	7.9	13.0	14.0				

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and Public Credit and the Banco de México.

^aPreliminary figures.

NICARAGUA

1. Recent economic trends: Introduction and summary

In 1987 there was a worsening of the economic crisis affecting Nicaragua since 1984, as manifested primarily in an outbreak of real and financial deficits, both external and domestic. This especially difficult situation was due to numerous factors which had a feedback effect on each other, making it difficult to establish their order of importance. Some of these factors, which were extra-economic in nature —such as the armed conflict, with its tragic consequences in terms of human and material loss— have existed for many years now, and their adverse effects have forced the government to alter its objectives and have played havoc with the implementation of economic policy. More recently, this situation was aggravated by the trade embargo imposed by the United States, which badly hampered the country's foreign trade. All these factors forced the government to reallocate scarce resources (material, human and financial), which led to a rise in prices and left the economic system in disarray.

Besides these factors, other phenomena had an impact on the magnitude of the crisis and on a number of the current imbalances. Firstly, ever since the present government came to power in 1979, when the economic system was experiencing serious deficit, a series of long-term objectives have been set forth in structural reform programmes —some of which were implemented immediately— whose main purpose was to achieve the equitable distribution and expansion of basic social services. Although some targets were met, others were not; on the contrary, the subsidy policy implemented for this purpose did not have the expected effects on production, causing instead serious distortions in government finances and monetary policy.

Secondly, besides the factors that restricted development, including both structural ones and those characteristic of the international economic crisis of the 1980s, there were obstacles associated with the performance of external variables. Throughout this decade, the terms of trade have been unfavourable and external demand for export commodities has weakened. To this has been added the contraction in trade flows within the Central American Common Market.

Finally, despite the favourable renegotiation of the previous régime's external debt, the country ceased to receive net credits from the international commercial banking system. Although these losses were offset by credits from other sources, most of the latter were reserved for specific projects or were subject to various kinds of conditions.

For all these reasons, the available supply of foreign exchange gradually diminished to the point where it became a constraining factor in the management of the economy.

After declining in the three preceding years, economic activity experienced a slight upturn (1.7%) as a result of increases recorded in agricultural production, fisheries, mining and construction. Nevertheless, this modest growth was lower than population growth for the fourth year in a row, and again meant a deterioration in the average living conditions of the population (see table 1 and figure 1). Although the armed conflict continued to inflict damage on agricultural output, harvested volumes increased in those regions of the country which had greater military protection, as was the case with some export items, such as coffee. Concurrently, manufacturing continued to stagnate, primarily owing to the shortage of foreign exchange and the persistent shrinkage of the Central American market. In contrast, the construction sector showed dynamic growth, reflecting the implementation of priority projects by the public sector.

The most salient features during the year, however, were the imbalances in both the non-financial and financial systems, which were accentuated with time. Thus the inflationary process, which had been unleashed in 1985, worsened considerably until it exceeded 1 300% by the end of 1987. This caused a serious deterioration in real wages, which forced many contingents of the labour force to shift from the productive sectors to informal commerce.

Figure 1
NICARAGUA: MAIN ECONOMIC INDICATORS

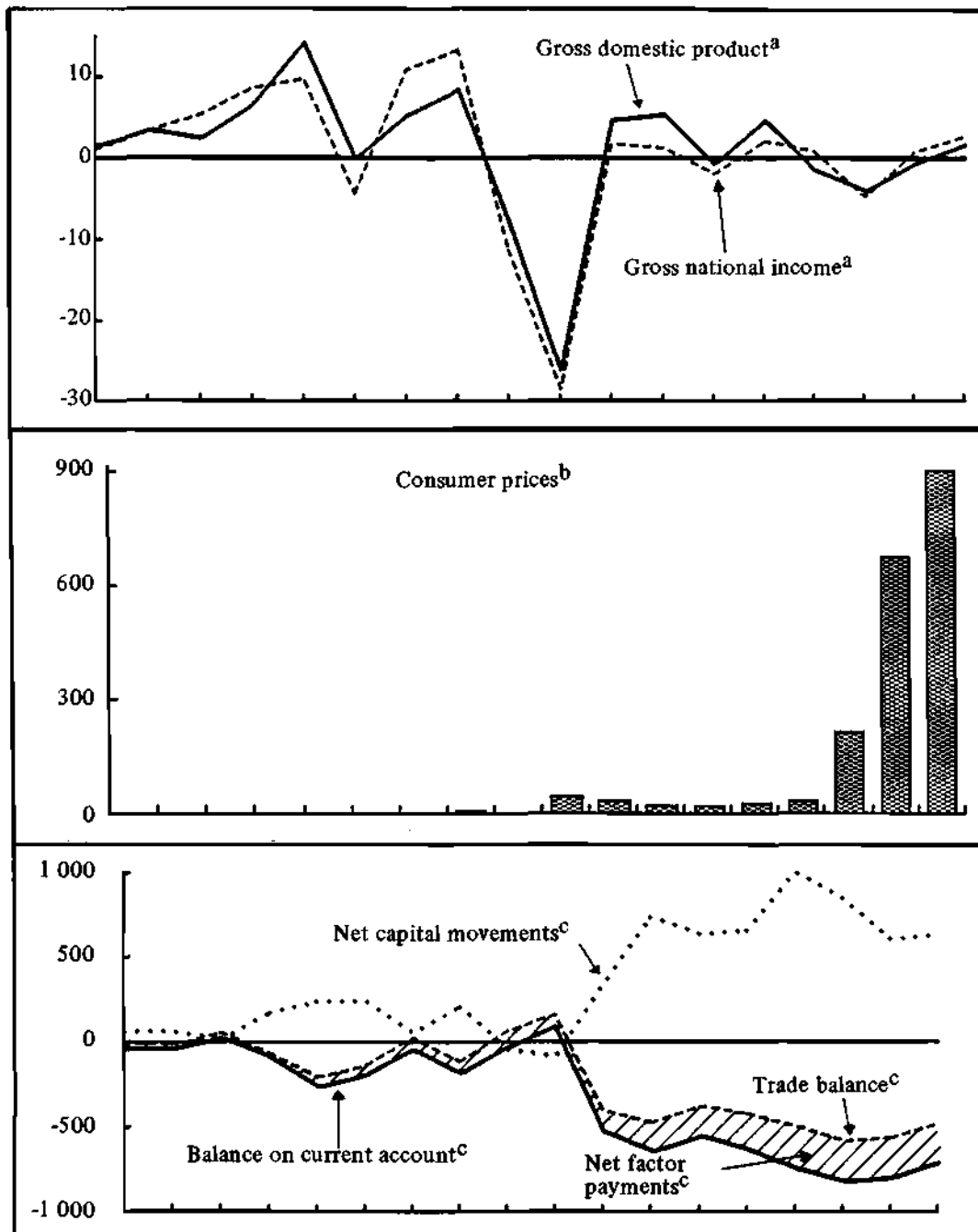
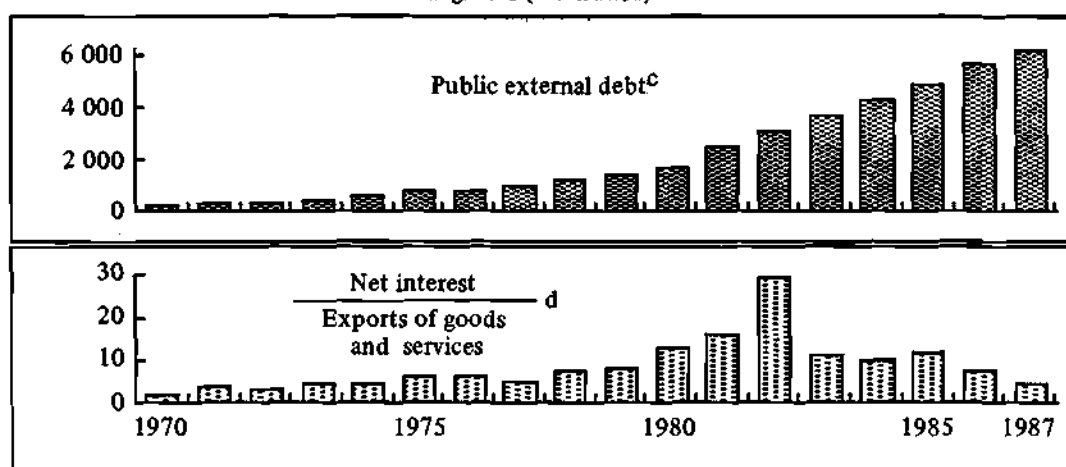


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage percentage variation.

^cMillions of dollars.

^dPercentages.

Nicaragua's rampant inflation was attributable to various factors. Noteworthy among these were the high fiscal deficit and the Central Bank's substantial foreign exchange losses, which forced a large issue of money; this in turn contributed to the rise in prices. Wages, the exchange rate, interest rates, tariffs and public service and company costs (both from the "Area de Propiedad del Pueblo" and private) were repeatedly and progressively adjusted, encouraging the inflationary spiral.

Foreign exchange policy, which apart from a few minor variations did not change during the year, played a central role in the distortion of prices. The existence of multiple markets (free and controlled) persisted, with a significant overvaluing of the national currency unit. By the end of 1987 there was a two-hundred-fold difference between the fixed official price for imports of commodities and that of the parallel market (70 and 15 000 córdobas per dollar, respectively).

Losses arising out of the application of different exchange rates gave rise to a growing deficit in the financial system, which surpassed all efforts to reduce the fiscal imbalance. The central government's deficit decreased as a percentage of gross domestic product, but remained at a high level.¹ Two important measures were taken in the year with regard to fiscal revenues; on the one hand, selective taxes were raised on specific consumption items, such as rum, cigarettes and alcoholic beverages and, on the other hand, the system of prepayment of income tax was changed. Likewise, tax administration continued to be improved, with the control of tax evasion and the expansion of the tax roll. In terms of expenditure, various measures were taken, including the freezing of vacant posts, the elimination of subsidies (begun the previous year) and the continuation of only those investment projects which were considered to have priority. Nevertheless, targets for spending cuts were not met, since, at the same time, the authorities increased defence and national security expenditures in order to cover the costs of the armed conflict.

In the financial sphere, stricter controls were established through monthly programmes involving the entire banking system. Likewise, a monetary stabilization rate was introduced to reduce foreign exchange subsidies.² Banking reserves were raised in an effort to reduce liquidity to some extent and to control the use of credit. Real interest rates, with insignificant variations, were highly negative.

¹The fiscal deficit/gross domestic product coefficient, which had reached 30% in 1983, gradually decreased in subsequent years until it reached 15% in 1987. This decline was achieved in part by the drop in interest on the central government's debt with the Central Bank and by the exclusion of the expenditures of the Nicaraguan Investment Fund. Foreign exchange subsidies had no bearing on this coefficient, since they did not enter into government accounts.

²It involved a kind of tax collected by the Central Bank, which was levied on purchases of a series of goods imported at the official exchange rate.

Wages were adjusted six times through the labour and wage scales system. Even with that, it was not possible to offset the effects of the inflationary process, and hence real purchasing power suffered a very serious decline for the second consecutive year. To compensate for this, continued efforts were made to expand the distribution of food at work places and in other marketing networks. However, results were limited, since bottlenecks persisted in the supply of certain products and significant flows of goods were diverted to the parallel markets.

Trade and current account deficits remained at very high levels. The value of exports of goods and services grew, thanks to a slight recovery in external coffee sales, but they accounted for only slightly less than 40% of the sales figures at the beginning of the decade. As a result, and also because whatever external resources the country did have were not freely available, the capacity to import was reduced even further, affecting the supply of foreign raw materials, mainly for industry. Payment on external debt servicing all but fell by the wayside with the exception of short-term commitments.

2. Trends in economic activity

a) *Total supply and demand*

After contracting for three years, the gross domestic product grew in 1987 by somewhat less than 2%, but remained at very low levels as compared with those recorded in the mid-1970s. The increase in total supply was lower, since there was a further drop in purchases of goods and services from the exterior as a result of the lack of external liquidity. These difficulties in importing in turn contributed to the lower buoyancy of various economic activities (see table 2).

On the demand side, the greatest boost came from the exterior. Exports recovered slightly after three years of decline, owing primarily to the greater volume of coffee sales. Domestic demand components evolved unevenly. Thus, a salient factor in capital formation was the marked dynamism shown by construction as a result of the government's backing of certain priority projects. Investment in machinery, which had fluctuated in previous years, dropped because of the scarcity of foreign exchange. Private investment remained very depressed as a result of the political and economic problems of the past few years. The government granted incentives to private investment, especially through favourable exchange rates, the setting of a credit policy, the regulation of prices on certain products and the establishment of a legal framework which sought to provide guarantees to entrepreneurial property. However, these incentives were insufficient to offset the negative effects of the country's crisis situation.

In consumption, increased government spending contrasted with the continuing deterioration of family consumption. Although government salaries and wages decreased in real terms, the increase in consumption was due to the rapid rise in the purchase of goods and services, primarily those required for defence and security activities. Private consumption dropped by 8%; thus, the degree to which the population's needs were met, not only for food but also for other commodities, continued to decline. In the period 1984-1987, consumption by families decreased by 16% in absolute terms and 26% in per capita terms.

b) *Evolution of the main sectors*

Activity levels of nearly all sectors increased in 1987, although they continued to be well below those reached the previous decade. However, this improvement was due to the favourable performance of a few activities, such as the construction sector and, to a lesser extent, the agricultural sector, electricity generation and housing services. Despite a slight move upward, manufacturing continued its sluggish performance of the last few years. The situation was similar for services such as commerce and transport, while government activity, which had been very dynamic for the first years of this decade, declined owing to the curtailing of public spending (see table 3).

i) *The agricultural sector.* In 1987 agriculture experienced a slight recovery, after the sharp drop recorded in the preceding three-year period; the crop farming product rose slightly faster than the global product, although this was due almost entirely to the influence of only two of its main items: maize and coffee (see table 4).

This sector reflected with great intensity the serious distortions in the Nicaraguan economy and the effects of the armed conflict. Under these conditions it was difficult for production incentive

policies to produce the expected results. The main obstacle to these incentives was the climate of uncertainty within the country, which, on top of hyperinflation, deprived the normal incentive mechanisms of their effectiveness. In addition, the country experienced irregular rainfall in 1987; around October, a prolonged drought set in which affected the last plantings of some basic grains and the product of various exportable items, especially beef cattle, owing to the effects of the drought on pasturelands. To this were added organizational and management problems in some State and private enterprises, partly attributable to the shortage in the supply of inputs and spare parts.

Increased maize output was once again salient among crops intended for domestic consumption, it being the only item for which incentives proved successful, especially in strengthening new irrigation areas. This result was also influenced, on the one hand, by the gradual substitution of maize cultivation for that of cotton and, on the other hand, by the movement of the labour force to regions near the Pacific, as a consequence of the armed conflict. These results could have been even better had it not been for the irregular rainfall already mentioned.

Rice production recovered its 1986 loss, but continued to be 16% lower than in 1983, falling short of the targets set. The factors responsible for this were low yields—which arose from deficiencies in the maintenance of infrastructure—the lack of inputs, including electric power failures in plans and bad timing in the importation of spare parts, which caused delays in the preparation of fields and in planting. Besides, some growers stopped planting in order to pressure authorities for new price increases on their crops. Likewise, there were some obstacles to the smooth operation of the production-distribution chain, so certain mills functioned at low capacity while others were overloaded.

The rise in coffee exports was noteworthy, although production volumes were way below past levels. Improvements were attributable to the fact that in zones such as Matagalpa in which armed conflict was acute, military vigilance was increased, especially during harvesting.

Cotton production again declined, since few inputs were being imported and there was a shortage of technical personnel. The cotton crisis tended to have repercussions on secondary industries such as textiles and, more especially, oils.

Banana production recovered somewhat after the slump of the preceding year, but in any event levels were much lower than in the past. Moreover, output was partly diverted towards domestic consumption owing to the shortage of other food items and to the fact that, besides the impossibility of exporting to the United States market, bananas were not yet being sold in European markets.

Sugar cane output dropped for the third consecutive year, as a result of a lack of physical and financial resources, the deterioration of international prices and various labour-related conflicts.

Finally, sesame production remained the same, although oilseed crops were given increasing preference, since they are a basic product used in the processing of oils and livestock inputs.

Cattle herds continued to decline while clandestine slaughtering increased; hence a large percentage of authorized slaughter houses operated at idle capacity. To eliminate or mitigate this problem, a series of measures were adopted, including price rises and other incentives, to control and reorient production and replenish stocks. However, this policy did not produce the expected results because imbalances in foreign exchange sparked the sale of herds to neighbouring countries.

Milk production increased by 4%, but fell short of the targets set in the National Food Plan. This item is also partly produced in zones where there is considerable armed conflict, and labour is therefore particularly scarce. Moreover, the lack of rainfall affected the pasturelands, especially during the fourth quarter of the year.

Hog slaughtering increased significantly in response to a continuing incentives programme, although various restrictions on supplies of veterinary inputs and imported foodstuffs hampered the expected results. Poultry slaughtering showed some growth, but egg production did not. The latter was limited by negative factors similar to those which affected pig raising, especially difficulties in producing balanced foods.

ii) *Forestry.* At the beginning of the decade, a series of targets were set to expand logging for external markets. Preference was given to the large-scale exploitation of forestry resources in the north, close to the frontier zone. The project was hindered by the escalation of the armed conflict and the subsequent displacement of the civilian labour force to other areas of the country. Nonetheless, from 1986 onward, some recovery was experienced as the tensions subsided and part of the work force returned to these zones. Thus, although production was lower than it might have been, results

were quite satisfactory. Moreover, with the normalization of the production rate, certain secondary products began to be processed, for export to the Central American Common Market and some European countries.

iii) *Fishing*. Fishery production showed strong growth, which more than offset the 1986 drop, although without reaching the volumes of the beginning of the decade (see table 5). The depression of the preceding years was primarily due to a combination of two factors: the uncertainty arising from the military conflict and the partial deterioration of the maritime infrastructure. In 1987 these two problems were gradually overcome. Firstly, greater military resources were channelled into safeguarding the security of the productive process, and secondly, despite enormous difficulties caused by the shortage of foreign exchange, resources were allocated to maintaining the fleet. Likewise, use began to be made of certain vessels purchased through an IDB loan. According to official sources, real production was perhaps higher than that recorded, since some contraband could not be avoided, especially on the high sea.

Two additional elements of fishing policy were worthy of mention: the increase in the dollar percentage of the value of exports transferred as an incentive to producers, and a campaign to promote the substitution of fish for other kinds of meat.

iv) *Mining*. Mining recovered for the second year in a row, but production was still below the levels at the beginning of the decade. Although some mines were located in the Department of León—close to the Pacific zone—, others were situated in the northeastern part of the Department of Zelaya, in the environs of Siuna, at precisely the spot where the armed conflict was most intense. This caused a slump in production during the two-year period 1984-1985, which has partly been recovered but at higher costs in the form of enhanced vigilance and security and an increase in wages (see table 6).

v) *Manufacturing*. The value added by manufacturing increased by only 1%, which was lower than that for demographic growth, and thus the sector's activity remained below its 1983 and 1984 levels (see table 7).

This situation was influenced by certain factors related to the general crisis in the economy itself, but also to other, more specific factors. It is noteworthy that many branches were affected by the shortage and lack of timely supply of raw materials. This paralysed some activities for varying periods of time, with the concomitant effects on distribution, especially of consumer goods, and on the production of some inputs, which created bottlenecks in other productive processes. Besides, numerous productive units were weakened by the lack of spare parts. There was scant investment in industrial machinery, which aggravated the problems of operating the increasingly obsolete equipment. In addition, difficulties arose out of the shortage of basic inputs, such as containers, and the frequent power failures. Finally, many companies were affected by turnover of personnel, in both the public sector (Área de Propiedad del Pueblo) and the private sector. This was partly the result of the huge gaps between wages and informal sector income.

Production trends in the subsectors were quite mixed. Thus, for example, one of the major problems of the period was the decline in the food industry (approximately 5% and nearly one-fifth lower than during the preceding five-year period). Quotas had to be limited in the distribution of certain rationed products; likewise, it was necessary to complement supply with imports, despite the precarious external liquidity situation. The leather and footwear industries also dropped sharply, primarily due to the diminishing supply of local raw materials. This was partially offset by the receipt of a large shipment of leather from Argentina in August.

A certain recovery was achieved in the beverages, clothing, wood and furniture subsectors, in some cases owing to the partial success of the export promotion policy for these activities, and despite difficulties caused by the considerable foreign exchange and price imbalances and by problems relating to the supply of imported inputs and the replacement of equipment.

vi) *Construction*. Construction continued to increase its share in the gross domestic product, until in 1987 it became the fastest growing activity, which contributed to a significant rise in employment.

Although the country's precarious financial situation made it necessary to prioritize use of resources, certain development projects continued to be given preference. Chief among these was the construction of industrial plants and irrigation infrastructure in the Valle Del Sébaco project. This project is being carried out with Bulgarian financing and technology, and combines agricultural

production and industrialization; it involves vegetable processing and packing plants, mainly of tomatoes, and includes the manufacture of containers. Also noteworthy was the project for expanding the Asturias hydroelectric power station in the north central part of the country; in terms of tourism, the continuation of construction and other improvement projects which could be a future source of foreign exchange (especially in Montelimar on the Pacific coast); and the remodelling of hotels and construction of a convention centre in Managua. In addition, low-income housing, predominantly wood houses using a minimum of imported inputs, was built for resettling the population which continued to flee the conflict zones.

Also of significance in this sector was the restoration and maintenance of the country's road network. In addition to major public works, military programmes were also undertaken. Infrastructure, especially roads, was strengthened in traditional production areas, as well as in areas of lesser economic relevance which in future may be incorporated into the agricultural expansion process. In addition, acts of sabotage required urgent reconstruction, especially of bridges and transmission towers.

Cement production was even greater than recorded, as a result of the reconstruction of Managua after the 1972 earthquake. Nevertheless, in the second half of the year, cement distribution was hampered by the lack of packing bags, and emergency solutions had to be found, which obviously raised operation costs.

vii) *Electricity*. Electric power generation was another activity which continued to grow, although at a lower rate than in the preceding two-year period (see table 8). Since installed capacity did not change during the year, the increase in supply resulted from better use of hydroelectric plant reservoirs.

Energy imported from Honduras was once again below that of the three-year period 1983-1985, in response to efforts to avoid or at least reduce foreign exchange spending. Geothermal energy was affected by problems in the maintenance of machinery. Construction continued on the Asturias hydroelectric project, which was expected to begin production in 1989.

viii) *Other services*. The commerce sector underwent profound changes in the past few years as a consequence of the government's policy to improve the distribution of commodities to broader sectors of the population, and the economic crisis, which encouraged informal trade.

In its domestic trade policy, the government has for some years boosted the distribution of basic commodities, by expanding the network of people's stores. Concurrently, in order to achieve a wider distribution of supplies throughout the population, a system of rationed distribution was developed. In 1987 the government tried to give priority to the supplying of rural areas, in order to promote commerce between the countryside and the city and thus stem migration to urban centres. However, the deregulation of the basic grain market diverted supplies away from the National Supply Company (ENABAS) and attracted them to the parallel market at higher prices, thus weakening the operation of the people's stores. Supply problems became more acute in the second half of the year, when the supply of certain grains fell because of the drought.

Owing to supply restrictions, marketing was limited, which in many cases meant that the per capita targets set by the rationing system could not be met.

There was a significant decline in the distribution of commodities such as beef. This loss was partly offset by increases in pork supplies. Likewise, intensive advertising campaigns were carried out in order to introduce changes in consumption patterns, such as substituting one meat for another, and especially poultry and fish for meat.

The government attempted to increase the scope of the State's distribution network. Supply centres for professionals and technical personnel were established during the last months of the year, in addition to the people's stores and workers' supply centres (CAT). Nevertheless, the limited supply of many products, especially imports, turned out to be the most significant obstacle.

c) *Trends in employment*

There are no recent data on the employment situation, but only projections or estimates (see table 9). According to partial information, open unemployment appears to be insignificant. Various facts backed up this contention: i) it was generally very difficult to find labour for crop farming, whether for planting or harvesting; ii) the economy's informal sector was gradually growing; iii) the armed conflict absorbed large contingents of the labour force, and iv) between 1979 and 1986, official

statistics indicate the emigration of 150 000 persons from the country, 77 000 of whom were part of the economically active population and 30 000 of whom were adult students, who had ceased to exert pressure on the country's job market.

3. The external sector

The external sector improved somewhat, although the adverse situation continued to be one of the most serious obstacles to economic development (see table 10). In 1987, external sales reached only slightly over US\$280 million, as compared with US\$500 million in 1981 and nearly US\$650 million in 1978. A good part of the external debt servicing payment was once again postponed. Thereby attenuating the massive current account deficit. Even so, Nicaragua's international reserves fell by US\$77 million.

There was little change in the foreign exchange policy: multiple foreign exchange rates persisted, and their prices were devalued to some extent; export incentives were maintained through partial payment in dollars for the harvests; and enormous subsidies were granted for the purchase of inputs and machinery. The exchange rate lag became more acute, despite the creation of a "monetary stabilization rate", which —although it raised the foreign exchange rate for importers (in order to reduce Central Bank subsidies to some extent)— proved insignificant compared with the prices of foreign currencies on the parallel markets. Consequently, enormous foreign exchange losses continued to occur, aggravating inflationary pressures and weakening the effectiveness of the monetary policy. Moreover, the continuing anti-export bias of the foreign exchange policy and the failure to reduce the multiple exchange parities for exporters and importers caused distortions in markets and in the allocation of resources.

a) *Trade of real goods and services*

According to preliminary estimates, the commercial trade deficit declined slightly, owing to the recovery in the unit value and volume of foreign sales and to the decline in imports. Trade with Central America recovered slightly, practically all of it through reciprocity with Costa Rica and Honduras, with which Nicaragua signed treaties during the year.

Coffee exports increased, as cultivation zones were protected and more human and material resources were devoted to the care of plantations (see tables 11 and 12). In addition, the country took advantage of price increases the previous year, since close to 40% of the 1986/1987 harvest had been sold in advance. Finally, production incentives contributed to raising the quality and volume harvested.

In sugar production, only half the export target was met. External banana sales declined with the closure of the United States market and the impossibility of finding alternative markets; as a result, most of the output had to be channelled toward domestic consumption, primarily through the parallel market, which helped to alleviate shortages in other essential items of the national diet.

The volume of cotton exported was maintained, and although prices rose, output quality declined. This was because half the harvest had to be picked mechanically owing to the labour shortage, and quality was neglected, since the incentives applied to export volume only. In order to reverse this situation, incentives for the 1987/1988 harvest encouraged qualitative improvements. Advance sales made it possible to cash in on international cotton price increases.

External beef sales increased, coinciding with the policy of replenishing cattle herds. Moreover, existing contraband was better controlled in 1987. Shellfish exports also increased. Ships were purchased with credit support from the Inter-American Development Bank (IDB) and the fishing fleet was reorganized; prices were set which afforded fishermen better remuneration and a higher percentage of disposable income in dollars.

Non-traditional exports also increased. Those of agricultural origin, primarily fruits, were shipped to other Central American countries; those for industrial use increased by around US\$1 million, which although moderate, represented a significant recovery. Such was the case with metal products, machinery and equipment whose inputs were provided by the socialist countries, and sales of wood products, attributable to greater military control in various conflict zones.

Important measures were taken as part of a policy to promote exports, including the creation of a fund to promote external sales, administered by the Central Bank. Although industrial products will

take priority, the authorities plan to give support to two major agroindustrial projects (one for fruit juices and the other for watermelons and melons, both intended for the European market).

The shortage of available credit caused a drop in imports, but it was more pronounced in the purchase of capital goods (see table 13). There was only a slight increase in the purchases of non-durable goods, due to the insufficient domestic supply of some commodities.

The volume of external purchases from Central American countries continued to deteriorate, accounting for only 5% of the total (see tables 14 and 15). On the other hand, imports from member countries of CMEA remained at 45% of the total, and the share of member countries of the European Economic Community again increased, primarily on the basis of bilateral agreements.

The terms of trade were unfavourable as a result of the almost 7% rise in import prices, which were affected primarily by the recovery of oil prices. Export prices showed increases for nearly all major items, but these were not enough to compensate for higher import costs. The unit value for coffee exports was higher than in the preceding year, since part of the harvest had been sold in advance, to take advantage of the better prices on the international markets.

b) The balance on current account and its financing

The deficit on the balance-of-payments current account dropped significantly in 1987, but continued to be very high. The deficit arose basically from the flow of goods and, to a lesser extent, real services, while net factor payments continued to decrease (due to limits on profit remittances to the exterior and to partial servicing of the external debt) (see table 16). This negative balance was financed by a capital income of approximately US\$630 million and by US\$77 million from the decrease in international reserves. Net capital inflow grew by 5% as compared with the preceding year; however, it was partly composed of accounting entries of late payments, arrears and tied imports.

Short-term capital movements remained stable and consisted essentially of supplier's credit. The authorities began to grant special priority to the timely performance of these commitments, in order to ensure a continuous flow of strategic raw materials.

c) Evolution of the external debt

Between 1980 and 1981, in a first round of negotiations, the country was able to restructure the debt inherited from the previous régime in relatively favourable terms, in respect of due dates, interest rates and, in some cases, grace periods. Nonetheless, as the obstacles to exports became increasingly severe, the international financial community became more reticent to grant new credits, and even less willing to concede a financial rescue package. Thus, as the obligations reached maturity, it became impossible to meet them. Owing to the capitalization of overdue interest, the external debt continued to grow, while the country did not receive new financing.

Debt servicing was lower than the country's obligations, hence the ratios of servicing to exports continued to improve. If total debt maturities had been included, this ratio would have been double the value of exports of goods and services (see table 17).

Over the past few years short-term operations have helped to expedite external transactions, above all on supplier's credit and pre-exports. Moreover, extensions of payment terms were negotiated for certain loans to official bodies, primarily for operations relating to oil supply.

4. Prices and wages

a) Prices

The growth rate of prices rose considerably from 1985 onward, reaching more than 1 300% in 1987 (December to December) (see table 18 and figure 2). It is estimated that the greatest price increase was again registered in the city of Managua, while in the interior of the country, where a special effort was made to raise supply levels, the increases were lower.

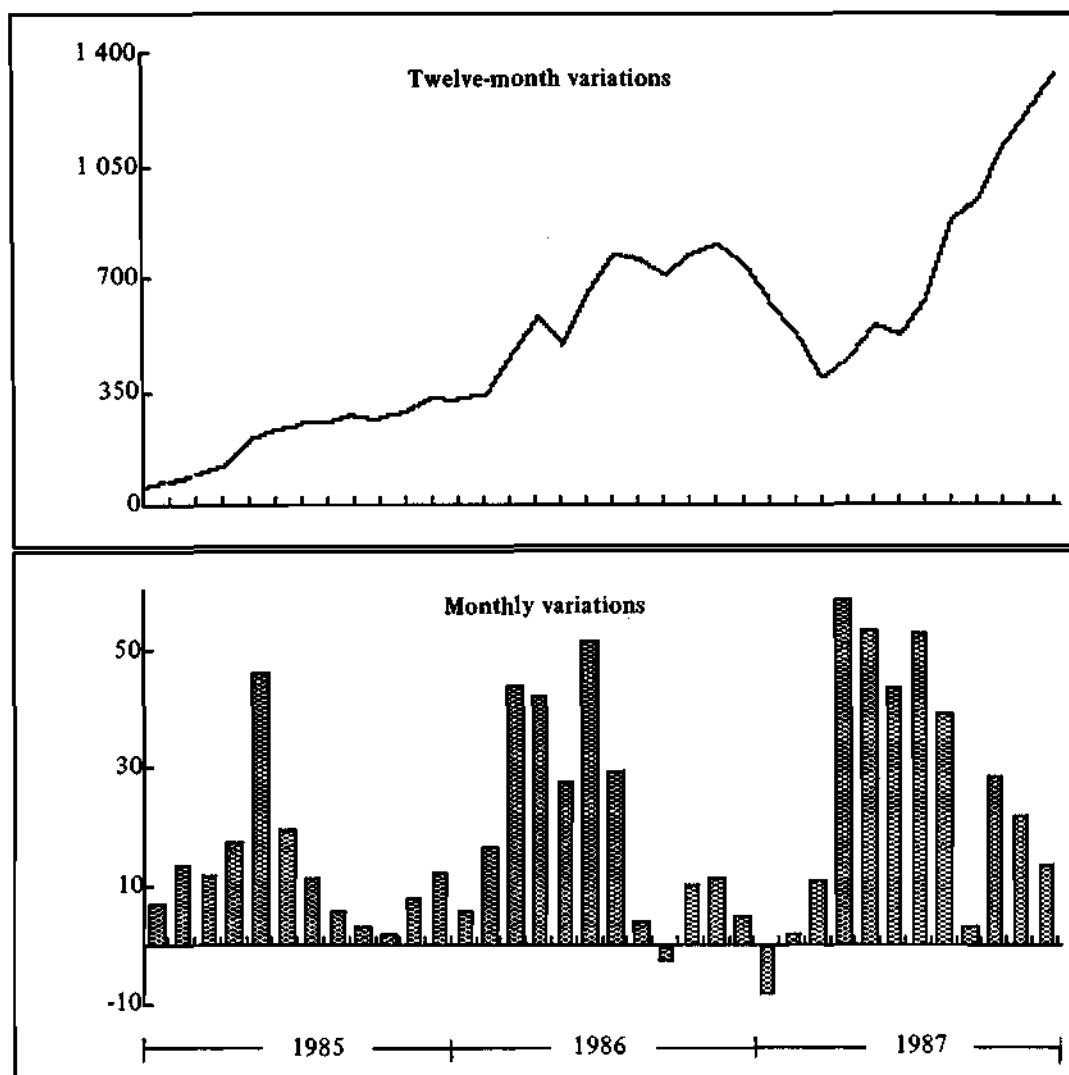
This serious aggravation of the inflationary process was due above all to excessive public spending in large-scale investments without direct financial backing and to national defence spending, as well as to the persistence of monetary and foreign exchange policies which fostered a

high and sustained growth of the means of payment, especially owing to the enormous losses suffered by the Central Bank in the trading of foreign exchange.

Also contributing to this situation were the scarcity of certain commodities, such as rice and beans, the drop in production of certain industrial food products, which constitute part of the basic consumption basket, the effects of the devaluation of production costs expressed in national currency, and price adjustments on certain widely used products, such as gasoline and diesel oil. On the other hand, the growth of the informal economy and distortions of relative prices continued to facilitate the expansion of parallel market operations; hence, supplies in the official markets were reduced.

The price deregulation policy implemented the previous year to encourage the supply of commodities was unable to lessen major distortions in the pricing system; on the contrary, the informal market continued to receive a major inflow of goods because, despite the adoption of deregulation measures, similar prices were unobtainable in the official markets.

Figure 2
NICARAGUA: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

b) *Wages and salaries*

In 1987 there was once again a deterioration in wages in the formal sector of the economy governed by the Labour and Wage Scales System. Wages were adjusted six times during the year, in a government effort to try to at least maintain purchasing power; however, not only was this target not met, but, on the contrary, real wages fell sharply (30%) (see table 19). Official sources point out that real wages deteriorated to a much lesser extent, comparing wage increases with trends in the total value of basic consumption items and taking into account the social benefits received by workers, such as meals provided in many work centres, low-cost transport or free medical attention. However, as regards private consumption trends, the drop in real wages was certainly much greater than that indicated by the aboved-mentioned index.

The first of the six increases granted was proportionately larger at the lowest brackets of the wage scale. The remaining five adjustments were uniform. On the other hand, in the second revision, the highest income bracket (management positions) was subdivided in turn into various categories, in order to provide some kind of incentive to skilled personnel; in this way it was hoped that these workers could be induced to remain in the workplaces rather than moving into the informal sector or abroad; in principle this seems to have yielded some results.

It is estimated that the Labour and Wage Scales System includes only about one third of the economically active population, which is almost entirely registered with the Nicaraguan Social Security and Welfare Institute (INSSBI). No official estimates exist on trends for the rest of the population, which primarily works in the informal sector. However, taking into account the major shift of the labour force from the formal to the informal sector in search of better pay, it is estimated that part of this sector has not suffered a decline in income, or at least that the deterioration has been less acute than in the formal sector. This peculiarity of Nicaragua's present economy has resulted in a great distortion in the remuneration of the labour factor.

5. Fiscal and monetary policies

a) *Fiscal policy*

Given the imperative of attending to the country's defence needs as a first priority, the fiscal policy sought to reduce the relative size of the public sector deficit. Thus, non-social public spending was cut, the expansion of social spending was curtailed, and taxes were raised (see tables 20 and 21).

On the income side, efforts to register and regulate informal commerce, "buhoneros" (pedlars) and co-operatives were redoubled, as a result of which the number of taxpayers expanded from 200 000 to 230 000. Likewise, the fiscal situation of small co-operatives whose exemption period had expired, and that of companies belonging to the Area de Propiedad del Pueblo were regularized. Finally, the coverage of cadastral revaluations was extended.

The most dynamic sources of revenue were selective taxes on consumption (rum, beer, tobacco and soft drinks), petroleum products and income tax. With regard to the latter, measures were taken to avoid deterioration of public treasury receipts as a result of inflation. Thus a 7% advance on monthly sales was established, so that quarterly advances calculated on the basis of profits for the preceding fiscal period were replaced by monthly advances estimated on the basis of current profits.

In addition, the progressivity of the tax rates on personal income outside of the Labour and Wage Scales System was increased, while the progressivity of wage-earner income tax was eliminated, leaving a single tax of 6%, applicable only to the lowest wage brackets. Finally, there was an increase in fines, migration tariffs, licence plate fees and business licence fees.

As for subsidies, the central government continued to subsidize only transport, and electric power in part. In investment the only expenditure was for the maintenance and major repairs of hospitals and schools. Capital transfers to companies and to the Area de Propiedad del Pueblo continued to be as restricted as possible, hence central government capital transfers declined from 7% of gross domestic product in 1984 to 1% in 1987. Meanwhile, central government investment programmes were cut back during the same period from 8.5% to 3.5% of gross domestic product.

b) *Monetary policy*

Monetary policy incorporated measures to reduce the liquidity in the economy by curtailing the expansion of domestic credit and raising banking reserves from 20% to 40% (see table 22).

However, their effects were neutralized by the persistence of the factors which had caused an excessive issue of money, namely the increased losses of foreign exchange as a result of the enormous gaps between the official and parallel exchange rates; the persistently high central government deficit; and investments drawing on the Nicaraguan Investment Fund.

In July the Central Bank instituted a "monetary stabilization tax" in order to attenuate the problems deriving from foreign exchange losses. This tax was composed of three brackets: zero, in the case of essential commodities, 100 córdobas for agricultural inputs and 300 córdobas for the remainder of imports. The results obtained were meager, since the difference between the official exchange rate and that of the parallel market continued to increase rapidly. The implied subsidy on imports at a preferential exchange rate, together with incentives to exporters, raised the degree of monetization of the economy, which was translated into an unprecedented inflationary spiral.

6. Effects of extra-economic factors

The effects of the armed conflict on the development of the Nicaraguan economy over the last few years have been so substantial as to have distorted the entire productive system. Likewise, the trade embargo imposed by the United States three years ago had a major negative impact. According to estimates by the Nicaraguan government, the number of human victims claimed by the conflict has reached over 49 000 (compared to nearly 12 000 in 1987), of which 51% corresponded to the labour force doing military duty, nearly 42% to peasants or workers and 4% to students and technical personnel. According to official estimates, the damage caused by the armed conflict in the period between 1980 and 1987 climbed to US\$1 150 million, of which US\$170 million affected infrastructure and approximately US\$980 million affected production (see table 23).

Moreover, the ongoing destruction of the country's accumulated capital continued to hamper the development of various economic activities, especially agricultural, and caused regional shifts in labour. Although productive operations on coffee plantations which are located largely in zones of intense conflict, had been gradually returning to normal, this was only possible with the support of major military operations. In the combat zones, there was constant danger to the functioning of enterprises, especially those connected with new investment projects aimed at the exploitation of natural resources (forestry, mining and fishing).

Among the most negative economic effects of the armed conflict were the production losses stemming from the frequent presence of armed clashes and from the abandonment of productive units and the lack of maintenance of production equipment and plantations. Livestock was often sacrificed when it became impossible to maintain normal farm operations.

Since the beginning of the conflict, damages to the fixed assets and capital of enterprises rose gradually until 1983, affecting primarily capital assets and, to a major extent, forestry projects. Subsequently, as a consequence of the allocation of more resources to defence, these occurrences began to decline, but in 1987 the infrastructure once again began to suffer damages. There were outstanding losses to capital goods in the agricultural, forestry and services sectors, the latter as a result of the destruction of transport units, power generation and switching plants and storage and distribution centres.

On the other hand, production losses increased as a result of more military action in areas other than the border regions in the past two years, especially in 1987 (in which they reached US\$281 million). Particular damage was done to herds, basic grains, tobacco, coffee and forestry and fishery products. The military conflict did not reach the medium-sized or large cities, hence essentially urban activities such as manufacturing and other services suffered less damage.

Apart from direct damage, government authorities drew attention to some equally significant damage resulting from other factors. First of all, the trade embargo had major repercussions due to the traditionally high dependence on United States supplies and markets.³ Nicaragua had been given

³Nicaragua's exports to the United States, which in 1980 accounted for 36% of the total, gradually dropped, ceasing completely in the last two years. In 1984, 100% of exports of certain products such as bananas, were oriented exclusively to the United States market, and the significance of this market in other items was still considerable. Imports from the United States accounted for 27% of the total in 1980, and although they dropped to 16% in 1986, they continued to be of major importance in some categories such as intermediate and capital goods for industry (two-thirds of the total for that year).

preferential prices in the pre-established quota system for exports of some products to the United States, as had other Latin American countries. For this reason, even if the country had immediately been able to redirect its production to other destinations, the damage to the total export value would have been considerable. In practice, although some new markets have been found, Nicaragua has not yet been able to recover its export value completely, owing to difficulties inherent in the highly competitive ambit of international trade. The export items most affected by the trade embargo were sugar, bananas, meat, shellfish and Havana cigars.

Finally, it is worth mentioning that the accumulated effects on capital assets and on production affected the macroeconomic variables of product, income and balance of payments. According to official estimates, damage to the balance of payments during the period 1980-1986 amounted to about US\$1.5 billion, of which US\$380 million occurred in 1987. The effect of the armed conflict on fiscal accounts was enormous; suffice it to say that defence spending, which accounted for 22% of the total in 1982, rose progressively to 42% in 1987, representing almost the entire fiscal deficit.

Table 1

NICARAGUA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	105.4	104.6	109.4	107.7	103.2	102.6	104.3
Gross national income	101.2	99.2	101.3	102.1	97.3	98.0	100.7
Population (millions of inhabitants)	2.9	3.0	3.1	3.2	3.3	3.4	3.5
Per capita gross domestic product	102.1	98.0	99.1	94.3	87.5	84.0	82.6
Growth rates							
B. Short-run economic indicators							
Gross domestic product	5.4	-0.8	4.7	-1.6	-4.1	-0.6	1.7
Per capita gross domestic product	2.1	-4.0	1.2	-4.8	-7.2	-3.9	-1.6
Gross national income	1.2	-1.9	2.1	0.8	-4.7	0.8	2.8
Consumer prices							
December to December	23.2	22.2	32.9	50.2	334.3	747.4	1 338.9
Variation between annual averages	23.9	24.8	31.1	35.4	219.5	681.6	910.7
Real wages and salaries ^b	1.1	-5.0	1.7	-6.9	-5.7	-30.1	-34.3
Money	28.0	22.1	66.1	81.5	179.4	253.4	643.7
Current government income	21.4	34.6	40.9	54.2	136.9	278.2	407.8
Total government expenditure	32.2	32.1	80.8	33.9	138.8	239.1	397.4
Fiscal deficit/total government expenditure ^c	36.0	34.8	49.1	41.4	41.9	35.2	33.9
Fiscal deficit/gross domestic product ^c	12.4	13.6	30.0	24.8	23.3	17.6	15.4
Current value of exports of goods and services	11.8	-19.2	5.4	-10.3	-16.8	-16.3	12.5
Current value of imports of goods and services	13.9	-19.9	9.1	2.7	1.4	-8.7	-5.3
Terms of trade (goods and services)	-8.4	-4.5	-3.1	25.1	-4.0	10.1	-2.3
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-478	-379	-430	-503	-587	-563	-480
Net payments of profits and interest ^d	-93	-140	-61	-47	-48	-22	-16
Balance on current account	-649	-557	-638	-753	-827	-799	-710
Balance on capital account	734	633	656	1 000	846	605	633
Variation in net international reserves	95	77	72	148	-19	-196	-77
Disbursed public external debt ^e	2 566	3 139	3 788	4 362	4 936	5 760	6 270

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bAverage monthly wage received by workers registered with the Nicaraguan Social Security and

Welfare Institute.

^cPercentages^dOnly refers to interest actually paid.^eShort-, medium- and long-term debt.

Table 2

NICARAGUA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	104.6	101.9	99.7	143.6	137.2	1.5	-3.0	-2.6	-2.1
Gross domestic product at market prices	103.2	102.6	104.3	100.0	100.0	-1.6	-4.1	-0.6	1.7
Imports of goods and services ^b	107.8	100.2	89.2	43.6	37.2	9.3	-0.6	-7.0	-11.0
Total demand	104.6	101.9	99.7	143.6	137.2	1.5	-3.0	-2.6	-2.1
Domestic demand	109.4	109.6	106.0	119.7	121.5	6.9	-2.7	0.1	-3.3
Gross domestic investment	137.4	135.7	128.4	16.8	20.6	0.9	-0.6	-1.2	-5.4
Gross fixed investment	139.8	131.4	122.5	14.6	17.1	2.2	1.1	-6.1	-6.8
Construction	114.8	114.8	130.9	5.5	6.9	8.8	10.0	-	14.0
Machinery	155.0	141.4	117.4	9.1	10.2	-0.2	-2.4	-8.8	-17.0
Changes in stocks	121.2	164.6	167.6	2.2	3.5				
Total consumption	104.8	105.3	102.3	102.9	100.9	8.2	-3.1	0.4	-2.8
General government	228.1	237.3	246.7	19.7	46.6	17.3	7.0	4.0	4.0
Private	75.6	74.0	68.0	83.1	54.2	3.3	-9.3	-2.1	-8.0
Exports of goods and services ^b	80.6	63.4	68.7	23.9	15.8	-23.7	-5.3	-21.3	8.4

Source: ECLAC, on the basis of data supplied by the Nicaraguan Ministry of Planning.

^aPreliminary figures.

^bThe figures for exports and imports of goods and services were obtained from IMF balance-of-payments data expressed in current dollars, which were then converted to constant 1980 values using unit value indexes calculated by ECLAC for the purpose.

Table 3

**NICARAGUA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	103.2	102.6	104.4	100.0	100.0	-1.6	-4.1	-0.6	1.7
Goods	105.5	103.4	105.8	52.5	53.2	-2.2	-4.1	-2.0	2.3
Agriculture ^b	107.3	99.9	101.9	23.2	22.7	-5.3	-4.8	-6.9	2.0
Mining	56.6	74.3	76.6	0.7	0.5	-23.1	-21.2	31.4	3.0
Manufacturing	104.2	106.1	107.2	25.6	26.3	0.4	-4.7	1.9	1.0
Construction	114.8	114.8	130.9	2.9	3.7	8.7	10.0	-	14.0
Basic services	90.0	93.2	95.3	7.9	7.2	1.5	-9.4	3.6	2.3
Electricity, gas and water	95.2	106.1	113.1	2.1	2.3	6.8	8.0	11.5	6.5
Transport, storage and communications	88.1	88.4	88.8	5.1	4.9	-	-14.8	0.4	0.4
Other services	102.8	103.3	104.4	39.6	39.6	-1.3	-3.0	0.5	0.9
Commerce, restaurants and hotels	93.1	93.5	94.4	18.9	17.1	-4.8	-5.5	0.4	1.0
Financial institutions insurance, real estate and business services	95.6	95.7	98.7	7.1	6.7	-0.7	-2.3	0.1	3.1
Ownership of dwellings	101.5	101.5	106.5	3.7	3.8	1.0	1.1	-	5.0
Community, social and personal services	120.1	121.0	120.9	13.6	15.7	2.8	-0.5	0.7	-0.1
Government services	135.7	138.3	137.7	8.7	11.5	6.2	1.3	2.0	-0.5

Source: ECLAC, on the basis of figures supplied by the Nicaraguan Ministry of Planning.

^aPreliminary figures.

^bIncludes the livestock sector, forestry and fishing.

Table 4
NICARAGUA: INDICATORS OF AGRICULTURAL PRODUCTION

	1981	1982	1983	1984	1985	1986	1987 ^a	Growth rates						
								1981	1982	1983	1984	1985	1986	1987 ^a
Index of production (1980 = 100)														
Crop farming	121.9	126.0	136.8	123.4	111.9	101.2	107.6	21.9	3.4	8.6	-9.8	-9.3	-9.6	6.3
Domestic consumption product	117.1	121.7	131.7	131.3	123.9	129.4	140.9	17.1	3.9	8.2	-0.3	-5.6	4.4	8.9
Export product	124.0	127.9	139.2	119.8	106.5	88.3	92.4	24.0	3.1	8.8	-13.9	-11.1	-17.1	4.6
Livestock	90.2	100.7	101.1	103.5	102.5	100.1	93.4	09.8	11.7	0.4	2.4	-1.0	-2.3	-6.7
Forestry	203.5	137.0	143.0	106.5	98.2	103.1	123.7	103.5	-32.7	4.4	-25.5	-7.8	5.0	20.0
Production of main crops ^b														
For export														
Ginned cotton	71.9	67.2	81.2	81.2	64.0	50.4	48.9	106.0	-6.5	20.8	-	-21.2	-21.2	-3.0
Cotton seed	107.3	101.0	120.7	119.0	93.4	77.4	71.6	103.6	-5.9	19.5	-1.4	-21.5	-17.1	-7.5
Coffee (green)	57.6	63.1	64.6	46.1	46.7	36.9	42.5	3.0	9.5	2.4	-28.6	1.3	-21.0	15.2
Sugar cane	2 519.7	2 755.8	2 794.6	2 814.1	2 610.1	2 378.8	2 207.3	12.6	9.4	1.4	0.7	-7.2	-8.9	-7.2
Bananas	152.7	140.9	128.4	128.2	113.6	101.3	116.1	25.3	-7.7	-8.9	-0.2	-11.4	-10.8	14.6
Havana tobacco	1.1	1.3	0.8	0.7	0.6	0.7	0.5	-31.2	18.2	-38.5	-12.5	-14.3	16.7	-28.6
Blonde tobacco	1.4	1.4	2.4	2.5	2.1	3.3	3.6	-30.0	-	71.4	4.2	-16.0	57.1	9.1
Sesame	7.3	5.0	10.7	10.2	3.1	4.7	4.7	-22.3	-31.5	114.0	-4.7	-69.6	51.6	-
For domestic consumption														
Maize	197.0	184.8	205.2	214.7	199.4	219.9	245.8	5.6	-6.2	11.0	4.6	-7.1	10.3	11.8
Milled rice	73.9	90.8	97.8	88.9	81.9	79.0	81.7	35.8	22.9	7.7	-9.1	-7.9	-3.5	3.4
Beans	46.2	52.5	53.5	57.9	52.4	51.9	...	19.1	13.6	1.9	8.2	-9.5	-1.0	...
Sorghum	89.6	69.5	69.8	102.3	120.0	139.5	152.0	19.5	-22.4	0.4	46.6	17.3	16.3	9.0
Soya	-	-	-	-	-	5.5	10.7	-	-	-	-	-	-	94.5
Indicators of livestock production														
Variation in stocks														
Beef cattle ^c	...	65	...	75	75	...	...					
Pigs ^c	...	48	47	45	49	...	...					
Poultry ^c	...	425	449	375	375	...	...					
Slaughtering														
Beef cattle	273	311	341	341	359	317	270	-26.6	13.9	9.6	-	5.3	-11.7	-14.8
Pigs ^c	243	279	270	271	228	224	257	19.1	14.8	-3.2	0.4	-15.9	-1.8	14.7
Poultry ^b	10.2	12.2	14.2	13.3	10.3	10.3	11.8	18.6	19.6	16.4	-6.3	-22.6	-	14.6
Other products														
Milk	306	315	301	318	162	201	209	-11.6	2.9	-4.4	5.6	-49.1	24.1	4.0
Eggs ^c	32	43	42	41	21	22	19	10.3	34.4	-2.3	-2.4	-48.8	4.8	-13.6

Source: ECLAC, on the basis of figures supplied by the Ministry of Planning and the Budget.

^aPreliminary figures.

^bThousands of tons.

^cThousands of head.

^dMillions of litres.

^eMillions of dozens.

Table 5

NICARAGUA: INDICATORS OF FISHERY PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of production (1975 = 100)	57.8	32.3	36.1	30.6	40.8	-2.1	11.8	-15.2	33.3
Catch ^b									
Fish	16 300	23 000	22 000	22 000	22 330	-3.4	-4.3	-	1.5
Shellfish									
Shrimp	5 811	2 100	2 284	1 816	...	5.0	8.8	-20.5	...
Lobsters	1 636	900	725	602	1 531	-10.0	-19.4	-17.0	154.3
Prawns	...	...	...	...	4 572	...	...	...	...

Source: ECLAC, on the basis of figures provided by the Ministry of Planning and the Budget.

^aPreliminary figures. ^bThousands of pounds.

Table 6

NICARAGUA: INDICATORS OF MINING PRODUCTION

	Index of the value added (1980 = 100)	Extraction of some major minerals (Troy ounces)	
		Gold	Silver
1981	107.5	61 913	140 136
1982	91.6	54 384	75 552
1983	93.4	46 428	63 417
1984	71.8	32 666	47 674
1985	56.5	24 489	30 055
1986	74.3	28 700	20 700
1987 ^a	76.6	31 682	22 081
Growth rates			
1981	7.5	3.2	-14.6
1982	-14.8	-12.2	-46.1
1983	2.0	-14.6	-16.1
1984	-23.1	-29.6	-24.8
1985	-21.3	-25.0	-37.0
1986	31.5	17.2	-31.1
1987 ^a	3.1	10.4	6.7

Source: ECLAC, on the basis of figures provided by the Ministry of Planning and the Budget and the National Institute of Statistics and the Census, *Anuario Estadístico de Nicaragua*, 1985.

^aPreliminary figures.

Table 7

NICARAGUA: INDICATORS OF MANUFACTURING ACTIVITY

	Indexes (1980 = 100)							Growth rates						
	1981	1982	1983	1984	1985	1986	1987 ^a	1981	1982	1983	1984	1985	1986	1987 ^a
Total index of the value added	103.0	103.1	108.9	109.3	104.2	106.1	107.2	3.0	0.1	5.6	0.4	-4.7	1.8	1.0
Food	99.8	112.5	111.0	110.8	96.8	94.2	89.2	-0.2	12.7	-1.3	-0.2	-12.6	-2.7	-5.3
Beverages	101.4	95.1	99.6	104.4	108.0	107.6	111.4	1.4	-6.2	4.7	4.8	3.4	-0.4	3.5
Tobacco	95.6	83.3	91.9	106.4	109.7	114.9	113.5	-4.4	-12.9	10.3	15.8	3.1	4.7	-1.2
Textiles	129.4	134.4	159.9	159.2	152.5	184.7	189.7	29.4	3.9	19.0	-0.4	-4.2	21.1	2.7
Clothing	104.1	92.1	94.4	84.3	79.7	89.5	111.2	4.1	-11.5	2.5	-10.7	-5.5	12.3	24.2
Leather	93.7	102.2	90.7	83.8	79.9	61.0	52.2	-6.3	9.1	-11.3	-7.6	-4.7	-23.7	-14.4
Footwear	98.2	82.9	84.9	68.3	63.6	57.1	50.9	-1.8	-15.6	2.4	-19.6	-6.9	-10.2	-10.9
Wood	104.0	90.5	87.6	87.8	61.9	65.2	102.3	4.0	-13.0	-3.2	0.2	-29.5	5.3	56.9
Furniture	101.9	89.6	91.1	87.2	76.4	85.5	99.3	1.9	-12.1	1.7	-4.3	-12.4	11.9	16.1
Paper	142.9	181.3	227.5	244.0	247.3	360.4	416.5	42.9	26.9	25.5	7.3	1.4	45.7	15.6
Printing	136.9	144.6	154.0	184.3	190.9	179.2	174.0	36.9	5.6	6.5	19.7	3.6	-6.1	-2.9
Chemicals	103.9	94.4	117.6	117.8	113.1	109.8	104.6	3.9	-9.1	24.6	0.2	-4.0	-2.9	-4.7
Petroleum products	100.8	98.7	88.1	72.1	79.5	83.6	82.3	0.8	-2.1	-10.7	-18.2	10.3	5.2	-1.6
Rubber	123.8	128.1	108.1	125.4	122.7	133.0	93.5	23.8	3.5	-15.6	16.0	-2.2	8.4	-29.7
Non-metallic minerals	94.1	90.0	123.4	127.4	117.2	125.0	139.7	-5.9	-4.4	37.1	3.2	-8.0	6.7	11.8
Metal products	99.3	111.2	132.4	125.6	133.0	148.6	150.9	-0.7	12.0	19.1	-5.1	5.9	11.7	1.5
Machinery and electric products	137.0	108.0	137.0	111.8	98.7	116.7	147.8	37.0	-21.2	26.9	-18.4	-11.7	18.2	26.6
Transport equipment	109.2	81.0	108.5	111.8	143.8	150.3	118.3	9.2	-25.8	34.0	3.0	28.6	4.5	-21.3
Plastics and miscellaneous	123.3	113.0	105.6	99.5	112.3	106.3	119.3	23.3	-8.4	-6.5	-5.8	12.9	-5.3	12.2
Other indicators of manufacturing production														
Electricity consumption by industry ^b	285	275	311	322	298	283	300	17.8	-3.5	13.1	3.5	-7.5	-5.0	6.0
Employment ^c	100	86	90	90	85	85	91	2.8	-14.0	4.7	-	-5.6	-	7.1
Steel production for construction ^d	...	...	32 573	31 013	26 771	33 130	...	...	...	...	-5.3	-13.7	23.8	...
Cement production ^e	...	...	265	263	246	270	295	...	...	...	-0.8	-6.5	9.8	9.3

Source: ECLAC, on the basis of figures provided by the Ministry of Planning and the Budget.

^aPreliminary figures.^bMillions of kWh.^cThousands of persons.^dTons.^eThousands of tons.

Table 8

NICARAGUA: SUPPLY AND DEMAND OF PUBLIC SERVICE ELECTRICITY

	Thousands of MWh				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total supply	1 116	1 129	1 158	1 236	-2.4	1.2	2.6	6.7
Net generation	851	942	1 089	1 164	4.7	10.7	15.6	6.9
Gross generation	895	986	1 140	1 229	4.9	10.2	15.6	7.8
Hydroelectric	226	256	284	393	-5.4	13.3	10.9	38.4
Steam	387	412	583	573	-27.9	6.5	41.5	-1.7
Geothermal	272	301	260	234	306.0	10.7	-13.6	-10.0
Diesel and other	10	17	13	29 ^b	-	70.0	-23.5	123.1
Less: Inputs	44	44	51 ^c	65	10.0	-	15.9 ^c	27.5
Net imports	265	187	69	72	-19.7	-29.4	-63.1	4.3
Total demand	1 116	1 129	1 158	1 236	-2.4	1.2	2.6	6.7
Domestic consumption	988	979	973	1 037	1.8	-0.9	-0.6	6.6
Residential	285	302	300	324	5.2	6.0	-0.7	8.0
Commercial	71	69	70	87	-2.7	-2.8	1.4	24.3
Industrial	322	298	283	300	3.5	-7.5	-5.0	6.0
Government	115	111	115	123	-4.2	-3.5	3.6	7.0
Public lighting	24	22	19	19	-7.7	-8.3	-13.6	-
Irrigation	105	110	118	113	-2.8	4.8	7.3	-4.2
Pumping	66	67	68	71	6.5	1.5	1.5	4.4
Exports	...	...	...	4	...	...	...	...
Losses ^d	128	150	185	195	-25.6	17.2	23.3	5.4
Other indicators								
Ratio of losses/ total supply ^e	11.5	13.3	16.0	15.8				
Consumption of fuel oil as an input for economic activity ^f	760	822	1 159	1 159	-25.5	8.2	41.0	-

Source: ECLAC, on the basis of data provided by the Nicaraguan Energy Institute and the Ministry of Planning and the Budget.

^aPreliminary figures. ^bIncludes 11 GWh from independent systems and 7 GWh purchased from the Victoria de Julio plant. ^cEstimate on the basis of the input/gross generation ratio of the preceding year. ^dRefers to transmission and distribution losses. ^ePercentages. ^fThousands of barrels.

Table 9

NICARAGUA: TRENDS IN THE LABOUR FORCE

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Thousands of persons								
Economically active population	872.6	905.2	938.8	973.5	1 009.5	1 047.0	1 086.0	1 126.3
Primary sector	275.5	295.5	281.4	301.6	304.1	339.4	367.0	365.2
Secondary sector	116.7	120.5	103.3	108.8	108.5	104.7	105.4	110.3
Industry	97.0	99.7	85.8	89.7	89.9	84.9	85.4	90.5
Construction	14.5	15.9	14.0	15.2	15.6	17.1	17.0	16.8
Mines	5.2	4.9	3.5	3.9	3.0	2.7	3.0	3.0
Tertiary sector	321.1	344.2	367.7	378.7	389.0	383.9	373.2	368.0
Commerce	110.0	117.3	102.1	103.1	101.0	103.3	95.4	94.6
Central government	47.5	54.2	58.3	64.8	74.8	76.3	77.4	77.4
Transport and communications	24.0	25.6	27.7	28.2	27.2	22.7	21.5	20.9
Banks and insurance	7.9	8.5	8.8	9.1	13.9	14.6	16.5	18.8
Energy and water	5.6	5.9	6.4	6.6	6.7	7.6	7.9	7.8
Services	126.1	132.7	164.4	166.9	165.4	159.4	154.5	148.5

Source: ECLAC, on the basis of figures provided by the Ministry of Planning and the Budget, Department of Employment.

^aPreliminary figures.

Table 10

NICARAGUA: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	12.8	-20.1	5.6	-10.1	-21.8	-18.0	13.7
Volume	19.5	-14.4	15.0	-23.1	-16.8	-20.7	9.5
Unit value	-5.6	-6.7	-8.2	16.8	-6.0	3.4	3.8
Imports (FOB)							
Value	14.9	-21.6	7.6	2.8	0.1	-9.2	-4.9
Volume	10.1	-20.4	13.3	11.6	-1.0	-7.1	-10.9
Unit value	4.3	-1.5	-5.1	-7.9	1.1	-2.3	6.8
Terms of trade	-9.8	-5.7	-3.6	25.3	-8.6	5.7	-2.7
Indexes (1980 = 100)							
Purchasing power of exports	107.9	87.1	96.5	93.0	70.8	59.4	63.3
Volume of exports	119.5	102.3	117.7	90.5	75.4	59.8	65.5
Volume of imports	110.1	87.7	99.4	110.9	109.8	102.0	90.8
Terms of trade	90.5	85.7	82.9	105.2	97.8	103.5	100.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 11

NICARAGUA: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown			Growth rates			
	1984	1985	1986	1987 ^a	1970	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	385	301	243	281	100.0	100.0	100.0	-10.3	-21.8	-19.3	15.6
Central America	37	24	16	21	25.8	16.8	7.5	12.1	-35.1	-33.3	31.3
Rest of world	348	277	228	260	74.2	83.2	92.5	-12.1	-20.4	-17.7	14.0
Main exports	347	271	210	246	66.4	78.8	87.5	-9.4	-21.9	-22.5	17.1
Ginned cotton	134	91	44	46	19.1	6.7	16.4	21.8	-32.1	-51.6	4.5
Coffee	122	118	110	133	18.0	36.9	47.3	-20.8	-3.3	-6.8	20.9
Sugar	21	7	17	14	5.5	4.4	5.0	-38.2	-66.7	142.9	-17.6
Meat	18	11	5	15	14.9	13.1	5.3	-41.9	-38.9	-54.5	200.0
Shrimp, lobsters and other fishery products	13	13	9	14	3.4	6.0	5.0	-23.5	-	-30.8	55.6
Sesame	6	5	2	3	-	1.3	1.1	-	-16.7	-60.0	50.0
Bananas	12	16	16	15	0.2	1.8	5.3	-20.0	33.3	-	-6.2
Molasses	3	1	1	-	-	1.3	-	200.0	-66.7	-	-
Chemicals	18	9	6	6	5.3	7.3	2.1	20.0	-50.0	-33.3	-
Rest	38	30	33	35	33.6	21.2	12.5	-17.4	-21.1	10.0	6.1

Source: ECLAC, on the basis of figures provided by the Ministry of Foreign Trade and the Central Bank of Nicaragua.

^aPreliminary figures.

Table 12

NICARAGUA: VOLUME OF EXPORTS OF MAIN PRODUCTS

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Cotton ^b	1 809	1 457	1 069	1 017	4.9	-19.5	-26.6	-4.9
Coffee ^b	892	868	673	808	-37.1	-2.7	-22.5	20.1
Sugar ^b	2 220	1 250	1 540	1 090	-6.6	-43.7	23.2	-29.2
Meat ^c	19 826	10 204	5 769	15 000	-36.7	-48.5	-43.5	160.0
Shrimp, lobsters and other ^c	2 264	2 581	1 868	2 485	-22.5	14.0	-27.6	33.0
Sesame ^b	147	122	58	62	47.0	-17.0	-52.5	6.9
Bananas ^d	4 166	4 465	4 321	3 986	-2.8	7.2	-3.2	-7.8
Molasses ^e	45	15	20	-	9.8	-66.7	33.3	-100.0

Source: ECLAC, on the basis of figures provided by the Ministry of Foreign Trade.

^aPreliminary figures.^bThousands of quintals.^cThousands of pounds.^dThousands of 42-lb boxes.^eThousands of tons.

Table 13

NICARAGUA: IMPORTS OF GOODS, CIF

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	892	761	743	100.0	100.0	100.0	2.4	8.0	-14.7	-2.4
Central America	57	38	34	24.7	33.9	4.6	-40.3	-23.0	-33.3	-10.5
Rest of world	835	723	709	75.3	66.1	95.4	10.1	11.0	-13.4	-1.9
Consumer goods	187	147	146	23.6	29.0	19.7	-9.8	19.9	-21.4	-0.7
Non-durable	132	98	99	15.1	24.2	13.3	-18.3	23.4	-25.8	1.0
Durable	55	49	48	8.5	4.8	6.4	16.7	12.2	-10.9	-2.0
Raw materials and intermediate goods	480	424	413	53.3	58.6	55.6	6.0	5.3	-11.7	-2.6
Petroleum and fuels	165	127	122	14.1	19.6	16.4	-2.0	13.8	-23.0	-3.9
Other	315	297	291	39.2	39.0	39.2	10.3	1.3	-5.7	-2.0
For agriculture	75	66	64	...	7.0	8.6	5.4	27.1	-12.0	-3.0
For manufacturing	214	198	191	...	28.0	25.7	12.3	-6.6	-7.5	-3.5
For construction	26	27	26	5.4	3.3	3.5	-	18.2	3.8	-3.7
Miscellaneous	-	6	10	...	0.7	1.4	-	-	...	66.7
Capital goods	225	190	184	23.1	12.4	24.7	4.9	5.1	-15.6	-3.2
For agriculture	25	26	25	2.3	2.7	3.4	64.7	-10.7	4.0	-3.8
For manufacture	150	128	123	16.7	6.9	16.6	-1.4	3.4	-14.7	-3.9
For transport	50	36	35	4.1	2.8	4.7	-	-25.0	-28.0	-2.8

Source: ECLAC, on the basis of figures provided by the Ministry of Foreign Trade.

^aPreliminary figures.

Table 14

NICARAGUA: EXPORTS AND IMPORTS OF GOODS, BY COUNTRY

	Millions of dollars					Percentage breakdown			
	1977	1984	1985	1986	1987 ^a	1977	1980	1986	1987 ^a
Exports (FOB)	637	385	301	243	281	100.0	100.0	100.0	100.0
CACM ^b	134	37	24	16	21	21.0	16.7	6.6	7.5
ALADI ^c	17	7	-	3	2	2.7	0.1	1.2	0.7
Argentina	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-
Mexico	8	7	-	3	2	1.3	-	1.2	0.7
Venezuela	9	-	-	-	-	1.4	-	-	-
Other	-	-	-	-	-	-	-	-	-
EEC ^d	181	113	118	122	116	28.4	28.8	50.2	41.3
United States	145	47	20	-	-	22.8	36.0	-	-
Japan	70	95	60	39	27	11.0	2.8	16.1	9.6
Canada	3	11	9	10	16	0.4	6.3	4.1	5.7
CMEA ^e	6	24	16	45	85	1.0	1.9	18.5	30.2
Other	81	51	54	8	14	12.7	7.4	3.3	5.0
Imports (CIF)	762	826	892	761	743	100.0	100.0	100.0	100.0
CACM ^b	164	74	57	38	34	21.5	33.9	5.0	4.6
ALADI ^c	113	147	101	58	57	14.9	20.3	7.6	7.7
Argentina	1	28	32	21	9	0.1	0.4	2.7	1.2
Brazil	5	14	13	9	8	0.7	0.6	1.2	1.1
Mexico	15	80	35	15	24	2.0	2.2	1.9	3.2
Venezuela	87	5	6	9	2	11.4	16.8	1.2	0.3
Other	5	20	15	5	14	0.7	0.3	0.6	1.9
EEC ^d	96	103	109	147	163	12.6	7.9	19.3	21.9
United States	220	133	67	-	-	28.8	27.5	-	-
Japan	77	24	31	19	18	10.1	3.3	2.5	2.4
Canada	6	24	10	22	7	0.8	1.2	2.9	0.9
CMEA ^e	2	213	382	351	331	0.3	0.2	46.1	44.5
Other	84	108	135	126	134	11.0	5.7	16.6	18.0

Source: ECLAC, on the basis of figures supplied by the Ministry of Foreign Trade and the Central Bank of Nicaragua.

^aPreliminary figures. ^bCentral American Common Market. ^cLatin American Integration Association.^dEuropean Economic Community. ^eCouncil for Mutual Economic Assistance.

Table 15

NICARAGUA: FOREIGN TRADE WITH CENTRAL AMERICAN COUNTRIES

	Millions of dollars					Percentage breakdown			
	1977	1980	1985	1986	1987 ^a	1977	1980	1986	1987 ^a
Exports (FOB)	134.0	75.4	24.2	15.5	20.7	100.0	100.0	100.0	100.0
Costa Rica	48.3	36.7	9.0	4.8	9.8	36.1	48.6	31.0	47.3
El Salvador	33.7	10.0	2.7	1.7	3.8	25.1	13.2	11.0	18.4
Guatemala	34.7	16.2	11.1	8.0	5.5	25.9	21.6	51.6	26.6
Honduras	17.3	12.5	1.4	1.0	1.6	12.9	16.6	6.4	7.7
Imports (CIF)	164.5	300.5	57.2	38.2	33.8	100.0	100.0	100.0	100.0
Costa Rica	58.3	116.7	15.1	9.6	13.9	35.5	38.9	25.1	41.1
El Salvador	38.4	50.5	9.1	10.5	6.4	23.3	16.8	27.5	18.9
Guatemala	52.3	102.9	26.0	15.6	12.3	31.8	34.2	40.8	36.4
Honduras	15.5	30.4	7.0	2.5	1.2	9.4	10.1	6.6	3.6
Balance of trade in goods	-30.5	-225.1	-33.0	-22.7	-13.1	100.0	100.0	100.0	100.0
Costa Rica	-10.0	-80.0	-6.1	-4.8	-4.1	32.8	35.4	21.1	31.3
El Salvador	-4.7	-40.5	-6.4	-8.8	-2.6	15.4	18.1	38.8	19.8
Guatemala	-17.6	-86.7	14.9	-7.6	-6.8	57.7	38.5	33.5	51.9
Honduras	1.8	-17.9	-5.6	-1.5	0.4	-5.9	8.0	6.6	-3.0

Source: ECLAC, on the basis of figures provided by the Ministry of Foreign Trade.

^aPreliminary figures.

Table 16

NICARAGUA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-534	-649	-557	-638	-753	-827	-799	-710
Trade balance	-411	-478	-379	-430	-503	-587	-563	-480
Exports of goods and services	495	553	447	471	422	351	294	331
Goods, FOB	450	508	406	429	385	301	247	281
Real services ^b	44	45	41	42	37	50	47	50
Transport and insurance	16	18	15	14	10	15	13	15
Travel	22	23	20	13	5	14	13	12
Imports of goods and services	906	1 031	826	901	925	938	857	811
Goods, FOB	803	922	723	778	800	800	727	691
Real services ^b	103	109	103	123	125	138	130	120
Transport and insurance	54	61	55	55	58	91	86	80
Travel	31	15	20	15	6	11	10	9
Factor services	-124	-184	-186	-211	-253	-257	-245	-240
Profits	-21	-	-5	-1	-	-5	-	-
Interest received	19	28	9	7	5	2	1	1
Interest paid ^c	-120	-207	-187	-213	-257	-253	-246	-241
Other	-3	-5	-3	-3	-	-	-	-
Unrequited private transfer payments	2	13	8	4	2	16	9	10
Balance on capital account	332	734	633	656	1 000	846	605	633
Unrequited official transfer payments	122	57	43	76	88	68	106	132
Long-term capital	573	819	626	719	552	790	605	-
Direct investment (net)	-	-	-	8	2	-	-	-
Portfolio investment (net)	-	-	-	-	-	-	-	-
Other long-term capital	573	819	626	712	550	790	605	-
Official sector ^d	595	737	636	727	563	792	609	-
Loans received	846	868	705	1 037	727	956	941	-
Amortization payments	-251	-131	-67	-298	-158	-164	-332	-
Commercial banks ^e	-3	80	20	24	29	5	9	-
Loans received	22	86	33	34	38	22	15	-
Amortization payments	-25	-6	-13	-11	-9	-17	-6	-
Other sectors	-18	2	-30	-39	-41	-7	-14	-
Loans received	9	15	17	31	14	10	8	-
Amortization payments	-27	-13	-47	-70	-55	-17	-21	-
Short-term capital (net)	-321	-164	32	-97	230	-149	113	147
Official sector	-232	19	88	-70	307	167	51	5
Commercial banks	24	-127	8	16	-34	-5	22	4
Other sectors	-114	-56	-63	-43	-43	-312	40	138
Errors and omissions (net)	-42	22	-69	-42	130	138	-219	-285
Global balance ^f	-201	86	75	18	247	19	-194	-77
Total variation in reserves (- sign indicates an increase)	235	-95	-77	-72	-148	19	196	77
Monetary gold	-	-	-	-	-	-5	54	...
Special Drawing Rights	-	-	-1	1	-	-	-	...
IMF reserve position	-	-	-	-	-	-	-	...
Foreign exchange assets	120	-47	-59	-86	-170	30	150	...
Other assets	123	-23	-12	19	26	3	-8	...
Use made of IMF credit	-8	-25	-5	-5	-5	-9	-	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIn effect, much less was paid than is indicated here, since this figure includes overdue interest which has not been paid. Between 1982 and 1987, only a third of this amount was ever paid, and in 1987 only US\$16 million were paid. See table 1 for interest actually paid. ^dIncludes net loans granted and other assets and liabilities. ^eEqual to the total variation in reserves (opposite sign) plus counterpart items.

Table 17

NICARAGUA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Public external debt ^b	2 566	3 139	3 788	4 362	4 936	5 760	6 270
Long- and medium-term	2 163	2 578	3 263	3 901	4 496	5 321	5 733
Short-term	403	561	525	461	440	439	537
Disbursements ^c	424	455	375	347	598	614	490
Debt servicing	192	203	103	79	68	32	25
Amortization payments ^d	71	59	40	28	23	13	12
Interest payments	121	144	63	51	45	19	13
Percentages							
Ratios^e							
Total external debt/exports of goods and services	464.0	702.2	804.4	1 014.5	1 460.3	2 125.5	2 042.3
Debt servicing/exports of goods and services	34.7	45.4	21.8	18.4	20.0	11.8	8.1
Net interest payments/exports of goods and services	16.8	30.2	12.0	10.7	12.7	8.1	5.2
Debt servicing/disbursements	45.2	44.6	27.4	22.8	11.3	5.2	5.1

Source: ECLAC, on the basis of figures provided by the Central Bank of Nicaragua.

^aPreliminary figures. ^bYear-end balances. ^cDisbursements on the long-term debt. ^dAmortization payments on the long-term debt. ^eAll ratios refer to the public external debt. ^fCorrespond to the net balance-of-payment figures.

Table 18

NICARAGUA: CONSUMER PRICES IN THE MANAGUA METROPOLITAN AREA

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (year average)							
Consumer price index (1980 = 100)	123.9	154.6	202.6	274.4	876.7	6 852.5	69 255.5
By item of expenditure							
Food, beverages and tobacco	129.0	166.5	235.6	333.5	1 156.4	11 413.3	124 481.0
Clothing	121.1	154.1	182.0	263.9	597.5	1 941.4	8 844.6
Housing	120.6	146.3	169.6	218.1	563.5	2 032.3	7 814.4
Miscellaneous	115.2	134.1	157.9	186.8	546.5	1 304.8	5 270.7
By origin of product							
National ^b	125.0	151.3	192.0	262.8	985.5	10 313.4	134 007.3
National ^c	123.4	155.8	213.1	292.2	896.5	5 950.0	42 380.8
Imported	122.7	158.0	184.5	214.8	482.3	1 156.1	4 855.0
December-December variation							
Consumer price index	23.2	22.2	32.9	50.2	334.3	747.4	1 338.9
By item of expenditure							
Food, beverages and tobacco	25.9	23.9	45.1	58.6	386.9	955.6	1 422.2
Clothing	24.0	23.2	23.5	64.7	141.5	315.3	542.4
Housing	23.7	21.5	14.3	43.3	218.5	230.8	567.7
Miscellaneous	16.0	17.9	18.0	24.0	285.0	104.3	720.3
By origin of product							
National ^b	26.3	15.1	39.5	38.3	501.7	879.4	1 958.8
National ^c	...	25.0	34.9	62.3	265.2	708.1	721.8
Imported	26.7	30.2	7.6	24.5	201.3	114.8	787.8
Variation between annual averages							
Consumer price index	23.9	24.8	31.1	35.4	219.5	681.6	910.7
By item of expenditure							
Food, beverages and tobacco	29.0	29.1	41.5	41.5	246.7	887.0	990.7
Clothing	21.1	28.8	18.1	45.0	126.4	224.9	355.6
Housing	20.6	8.0	16.0	28.6	158.4	260.7	284.5
Miscellaneous	15.2	16.5	17.6	18.3	192.6	138.8	303.9
By origin of product							
National ^b	25.1	21.0	26.9	36.9	275.0	946.5	1 199.4
National ^c	23.4	26.3	36.8	37.1	206.9	563.7	612.3
Imported	22.7	28.7	16.8	16.4	124.5	139.7	319.9

Source: ECLAC, on the basis of figures provided by the Ministry of Planning and the Budget.

^aPreliminary figures. ^bDomestic consumption products traded internationally. ^cOther products for domestic consumption.

Table 19

NICARAGUA: WAGES AND SALARIES^a

	1981	1982	1983	1984	1985	1986	1987 ^b
Córdobas							
Average monthly wage, total ^c							
Received, nominal	2 641	2 927	3 304	4 275	10 769	28 608	101 172
Real, at 1980 prices ^d	2 364	2 245	2 282	2 125	2 003	1 401	920
Indexes (1980 = 100)							
Average monthly wage, total ^c							
Received, nominal	113.0	125.2	141.3	182.8	460.6	1 223.6	4 327.2
Real, at 1980 prices ^d	101.1	96.0	97.6	90.9	85.7	59.9	39.3
Growth rates							
Average monthly wage, total ^c							
Received, nominal	13.0	10.8	12.9	29.4	151.9	165.7	253.6
Real, at 1980 prices ^d	1.1	-5.0	1.7	-6.9	-5.7	-30.1	-34.3

Source: ECLAC, on the basis of figures supplied by the Ministry of Planning and the Budget.

^aRefers to the total average monthly wage received by workers registered with the Nicaraguan Social Security and Welfare Institute. In 1986 (January and March) and 1987 (April, June, July, August, September and December) there were variations in nominal wages. ^bPreliminary figures. ^cExcluding incentives. ^dDeflated on the basis of the implicit price index of the gross domestic product.

Table 20
NICARAGUA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of córdobas				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	15 750	37 306	141 081	716 380	54.2	136.9	278.2	407.8
Tax revenue	13 836	32 063	120 557	636 232	62.1	131.7	276.0	427.7
Direct	3 217	7 550	31 207	150 739	74.0	134.7	313.3	383.0
On income	2 425	6 445	28 134	143 724	89.0	165.8	336.5	410.9
On property	468	749	2 453	6 998	70.8	60.0	227.5	185.3
On exports	11	26	21	10	175.0	136.4	-19.2	-52.4
Other	313	330	599	7	8.7	5.4	81.5	-98.8
Indirect	10 619	24 513	89 350	485 493	58.9	130.8	264.5	443.4
On sales	1 946	5 320	20 196	91 523	65.3	173.4	279.6	353.2
On imports	1 050	2 926	11 236	39 050	42.1	178.7	284.0	247.5
On consumption and production	6 022	15 801	55 855	346 553	72.4	162.4	253.5	520.5
Other	1 601	466	2 063	8 367	25.8	-70.9	342.7	305.6
Non-tax revenue	1 914	5 243	20 524	80 148	13.9	173.9	291.5	290.5
2. Current expenditure	19 223	52 034	187 574	971 806	51.4	170.7	260.5	418.1
Wages and salaries	3 950	11 069	37 495	167 459	42.4	180.2	238.7	346.6
Goods and services	10 311	32 301	122 782	676 548	53.7	213.3	280.1	451.0
Transfers	3 762	5 559	21 757	118 704	72.1	47.8	291.4	445.6
Interest payments	1 200	3 105	5 540	9 094	16.5	158.8	78.4	64.2
Domestic debt	902	2 596	5 094	7 516	17.3	187.8	96.2	47.5
External debt	298	509	446	1 578	14.2	70.8	-12.4	253.8
3. Current savings (1-2)	-3 473	-14 728	-46 493	-255 426	39.8	324.1	215.7	449.4
4. Capital expenditure	7 675	12 188	30 195	111 438	3.9	58.8	147.7	269.1
Real investment	3 622	8 668	18 051	82 846	63.4	139.3	108.2	359.0
Debt amortization payments	491	974	1 811	3 356	23.1	98.4	85.9	85.3
Domestic debt	196	391	539	727	-16.6	99.5	37.9	34.9
External debt	295	583	1 272	2 629	79.9	97.6	118.2	106.7
Other	3 561	2 546	10 333	25 236	-25.4	-28.5	305.9	144.2
5. Total expenditure (2 + 4)	26 898	64 222	217 769	1 083 244	33.9	138.8	239.1	397.4
6. Fiscal deficit (1-5)	-11 148	-26 916	-76 688	-366 864	12.9	141.4	184.9	378.4
7. Financing of the deficit								
External financing	1 904	1 381	7 657	20 673	14.8	-27.5	454.5	170.0
Credit	1 558	701	1 206	2 737	24.0	-55.0	72.0	126.9
Grants and donations	346	680	6 451	17 936	-14.1	96.5	848.7	178.0
Domestic financing	9 244	25 535	69 031	346 191	12.6	176.2	170.3	401.5
Central Bank	8 784	24 589	69 911	333 406	6.9	179.9	184.3	376.9
Other sources	460	946	-880	12 785	...	105.7	...	...
Ratios ^b (percentages)								
Current savings/capital expenditure	45.3	120.8	154.0	229.2				
Fiscal deficit/total expenditure	41.4	41.9	35.2	33.9				
Tax revenue/GDP	30.7	27.8	27.7	26.6				
Total expenditure/GDP	59.8	55.6	50.0	45.3				
Fiscal deficit/GDP	24.8	23.3	17.6	15.4				
Domestic financing/deficit	82.9	94.9	90.0	94.4				
External financing/deficit	17.1	5.1	10.0	5.6				

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and the Central Bank of Nicaragua.

^aPreliminary figures. ^bOn the basis of absolute values.

Table 21

NICARAGUA: GOVERNMENT EXPENDITURE, BY MAIN AREAS

	Millions of córdobas				Percentage breakdown			
	1984	1985	1986	1987 ^{ab}	1984	1985	1986	1987 ^{ab}
Total	26 898	64 222	217 769	1 083 244	100.0	100.0	100.0	100.0
Social sector	5 491	15 156	47 174	240 480	20.4	23.6	21.7	22.2
Education and culture	2 837	7 064	19 842	112 657	10.5	11.0	9.1	10.4
Health and social welfare	1 944	5 908	25 218	114 824	7.2	9.2	11.6	10.6
Housing	710	2 184	2 114	12 999	2.6	3.4	1.0	1.2
Infrastructure and production	5 561	10 468	24 893	101 825	20.7	16.3	11.4	9.4
Primary activities	2 504	5 009	7 422	27 081	9.3	7.8	3.4	2.5
Manufacturing	140	128	365	2 167	0.5	0.2	0.2	0.2
Construction and transport	2 917	5 203	15 876	71 494	10.8	8.1	7.3	6.6
Energy	-	128	1 230	1 083	-	0.2	0.5	0.1
Commerce and tourism	2 018	1 349	2 930	9 749	7.5	2.1	1.3	0.9
General administration and defence	11 944	32 497	135 421	672 695	44.4	50.6	62.2	62.1
General administration	5 693	9 633	54 615	225 315	21.2	15.0	25.1	20.8
Defence and security	6 251	22 864	80 806	447 380	23.2	35.6	37.1	41.3
Other	1 883	4 752	7 351	58 495	7.0	7.4	3.4	5.4
Public debt servicing	1 691	4 079	7 351	14 082	6.3	6.4	3.4	1.3
Rest	192	673	-	44 413	0.7	1.0	-	4.1

Source: ECLAC, on the basis of figures supplied by the Ministry of Finance.

^a Preliminary figures.^b Figures estimated by ECLAC, on the basis of the expenditure structure as at 30 September.

Table 22

NICARAGUA: MONETARY INDICATORS

	Year-end balances (millions of córdobas)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base	14 794	42 338	142 010	1 001 973	107.7	186.2	235.4	605.6
Money (M₁)	20 897	58 379	206 321	1 534 498	81.5	179.4	253.4	643.7
Currency outside banks	11 374	28 713	100 310	757 972	104.0	152.4	249.4	655.6
Current account deposits	9 523	29 666	106 011	776 526	60.4	211.5	257.4	632.5
Quasi-money	7 989	12 741	34 941	95 399	55.8	59.5	174.2	173.0
Savings deposits	3 051	5 682	14 858	47 940	71.8	86.2	161.5	222.7
Time deposits	4 938	7 059	20 083	47 459	47.3	43.0	184.5	136.3
Money plus quasi-money (M₂)	28 886	71 120	241 262	1 629 897	73.6	146.2	239.2	575.6
External liabilities^b	26 317	81 857	200 182	229 394	28.9	211.0	144.6	14.6
Long-term loans	17 756	46 085	155 831	179 335	24.8	159.5	238.1	15.1
Short-term loans	8 561	35 772	44 351	50 059	38.4	317.8	24.0	12.9
Other financial liabilities (net)	-948	-40 749	-160 870	-389 870	...	...	...	...
Domestic credit	49 542 ^c	98 875	261 799	1 450 234	40.8	99.6	164.8	453.9
To the public sector	37 094	79 902	191 314	1 092 332	55.9	115.4	139.4	471.0
Central Government (excluding deposits)	21 254	46 783	127 240	570 103	48.1	120.1	172.0	348.1
Local governments and official agencies ^d	441	1 094	3 347	2 098	39.6	148.1	205.9	-37.3
State marketing firms	1 288	4 784	11 730	155 258	76.2	271.4	145.2	223.6
Area de Propiedad del Pueblo	14 111	27 241	48 997	364 873	68.1	93.0	79.9	644.7
To the private sector	11 331	18 973	70 485	357 902	9.0	67.4	271.5	407.8
Gross international reserves^b	4 713	13 354	18 775	19 187	110.0	183.3	40.6	2.2
Ratios^e								
M ₁ /monetary base	1.48	1.39	1.44	1.52				
M ₂ /monetary base	2.08	1.75	1.69	1.64				
Velocity of circulation: GDP/M ₁	2.78	2.91	3.29	2.75				
Total liquidity: M ₁ /GDP	0.36	0.34	0.30	0.36				

Source: ECLAC, on the basis of figures provided by the Central Bank of Nicaragua, the Ministry of Planning and the Budget and the International Monetary Fund.

^aPreliminary figures. ^bIncluding devaluations in 1985 (from 10 to 28 Córdobas per dollar) and 1986 (from 28 to 70). ^cIncluding 1 117 million córdobas in investments. ^dExcluding State marketing firms. ^eIn the absence of monthly data annual averages were estimated by averaging the sums of the year-end balances.

Table 23

NICARAGUA: PROPERTY DAMAGE AND PRODUCTION LOSSES

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987	1980-1987
Total	2	8	32	165	217	164	244	318	1 149^a
Property damage	1	4	11	59	28	18	14	37	171
By economic activity									
Agriculture	-	-	2	12	14	10	4	25	67
Logging and forestry	-	-	-	24	5	1	-	-	31
Fisheries	1	2	2	5	3	1	1	-	13
Mining	-	-	-	2	1	-	-	-	3
Construction	-	-	7	6	2	2	1	3	21
Services	-	2	-	10	3	4	9	9	36
Production losses	1	3	21	107	190	145	230	281	978
By economic activity									
Agriculture	-	-	-	37	75	71	146	99	430
Logging and forestry	-	-	-	25	52	41	50	119	288
Fisheries	1	1	3	13	16	16	5	5	60
Mining	-	2	3	1	2	5	3	3	18
Construction	-	-	15	30	45	12	24	56	182
By destination									
For export	1	3	7	75	132	130	205	224	778
For domestic consumption	-	-	15	32	57	14	25	57	200

Source: Official estimates.

^aThis total does not include around US\$600 millions which, according to preliminary estimates, were lost as a result of the trade embargo and external credit restrictions, or some US\$200 million owing to the external costs.

PANAMA

1. Recent economic trends: Introduction and summary

In 1987 the Panamanian economy grew by almost 3% in overall terms (close to 1% in per capita terms), which was somewhat less than during the two preceding years (see table 1 and figure 1). The increase in the gross domestic product would have been more than 5% if the trend seen early in the year, before the appearance of severe political conflicts, had continued. The tension that broke out in June, however, hampered the functioning of the international financial centre which has operated in the country since the early 1970s. These problems also affected some domestic activities, such as trade, construction and tourism, and thereby contributed to an increase in unemployment. Major disturbances also arose in public sector financing both as a direct result of these conflicts and as a consequence of the accumulation of the maturities of loans contracted to cover the large fiscal deficits of 1983 and 1984. The size of the amortization payments on these debts and their upcoming maturity, together with the problems experienced by the financial centre, made it impossible to employ the customary mechanisms for rolling over credit more or less automatically that had been used in previous years; this led to the suspension of public debt service commitments towards the end of the year. In the first months of 1987 many production indicators reflected high growth rates which seemed to herald a growth trend in overall economic activity. This was particularly true of indicators of international services provided by the country which are very important to the domestic economy, such as the operations of the Panama Canal, the Colón Free Zone, the trans-isthmus oil pipeline, and even those of the international financial centre, despite the fact that some of its operations were being shifted to other burgeoning centres in nearby countries. Midway through the year, however, a reversal was seen in the trend in economic activity and in the various indicators due to the fact that a number of strictly economic obstacles (such as the large public debt) were compounded by the sociopolitical problems which gave rise to tension throughout almost the entire rest of the year.

The country's serious political problems, which have had a heavy socioeconomic impact, sparked a heated debate within Panamanian society—as well as in the international sphere. This affected essentially domestic activities and hindered the functioning of the international financial centre, which, in turn, had repercussions on the operations of the national banking system. Moreover, the continual suspension of activities for periods of varying lengths from June onward had a great deal to do with the turnaround which occurred in the economic trends seen during the first half of the year. All of this was compounded by the United States' decision, which was both a cause and effect of the above, to suspend the technical and financial co-operation activities of the Agency for International Development (AID). This unstable situation, which particularly affected the urban areas of the country, persisted to a greater or lesser degree for almost four months; much of the country's activity then returned to normal during the closing months of the year, especially in December.

The government followed the same policy as in earlier years insofar as its handling of the sharp fiscal imbalance and the country's serious foreign debt problems. This policy had been launched in 1985 and, in the beginning, had produced significant results. In fact, after two years of semi-stagnation (1983-1984), the Panamanian economy, which is one of the most open in the region,—had embarked on a recovery, at a moderate growth rate, during 1985 and 1986 within a relatively favourable international context and had thus been able to reduce some of its financial imbalances. Towards the end of this period, however, some maladjustments began to arise and economic activity slowed. Among other effects, the fiscal deficit started to have a greater impact in terms of the gross domestic product. Capital formation was rapid, on average, especially thanks to private construction, since the growing difficulties in public finances had progressively weakened public investment. Even

Figure 1
PANAMA: MAIN ECONOMIC INDICATORS

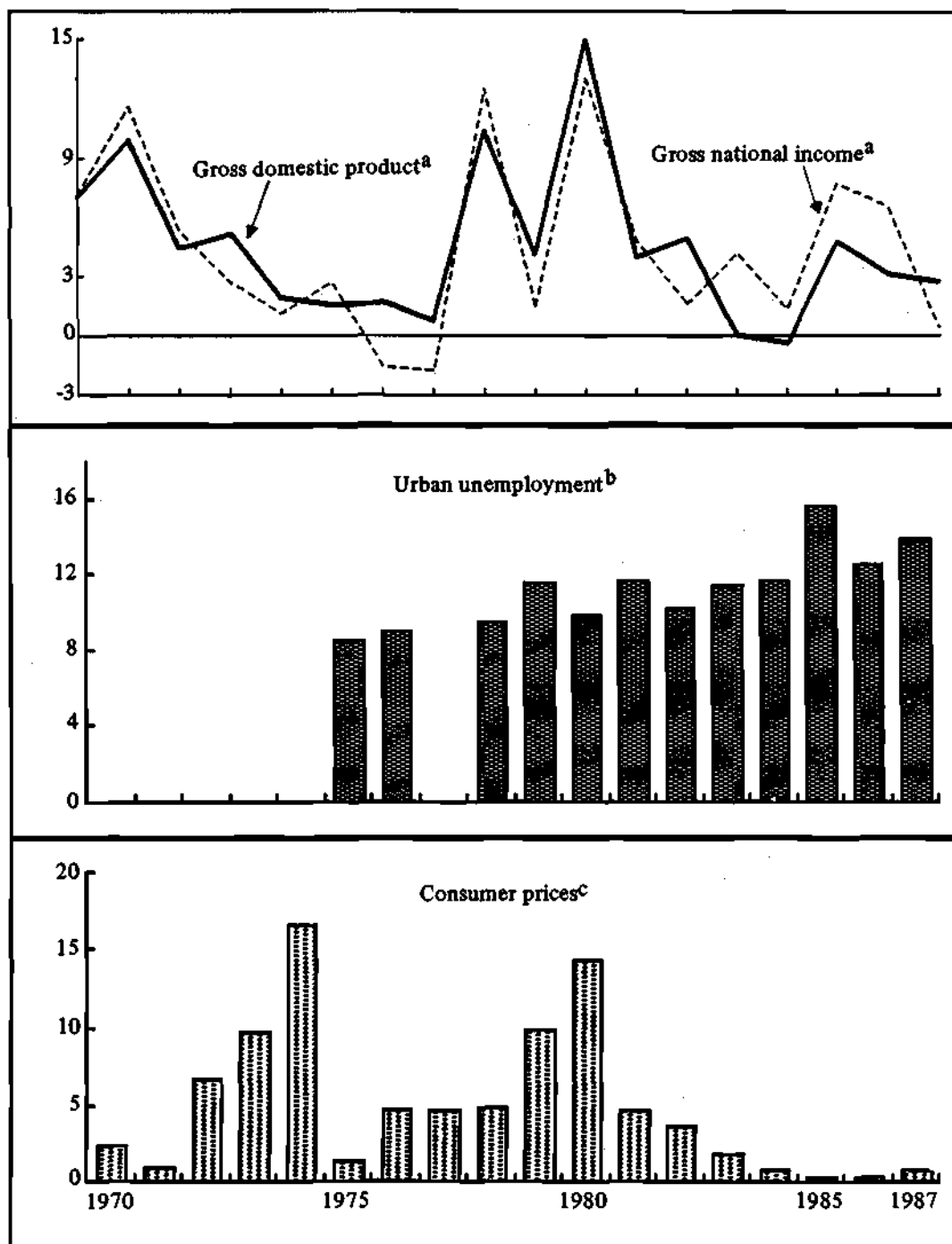
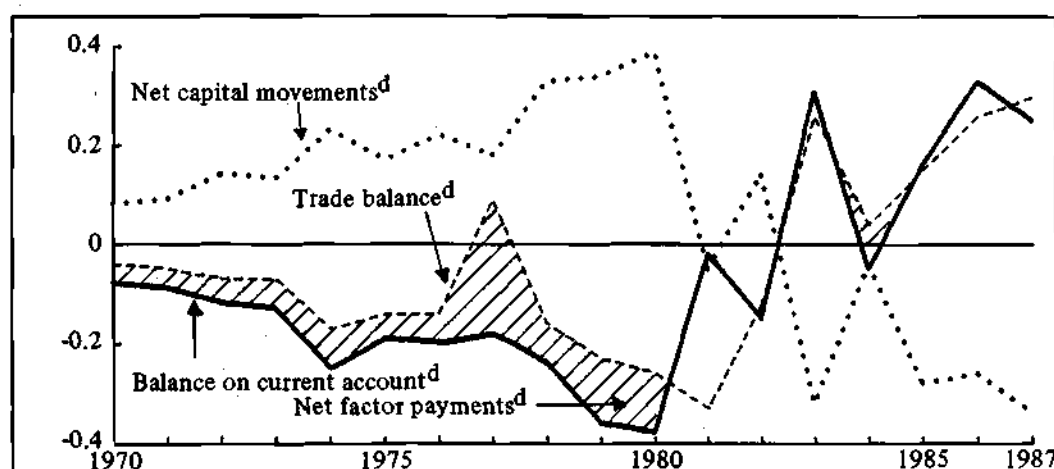


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAnnual average national urban rate.

^cPercentage variation from

December to December.

^dBillions of dollars.

so, government and household consumption still expanded at a good pace in 1986. Thus, the economy's growth trend began to weaken somewhat at a time when the government had already established and agreed to the application of a structural adjustment programme.¹

Faced with these difficulties, during 1986 the authorities had made their economic adjustment policy more stringent, and they then continued to apply much the same policy in 1987. The main policy measures in this connection were the elimination of subsidies for agriculture, the establishment of a new tariff and a reduction in levels of protection, the creation of an incentive system for agricultural and industrial production, the discontinuance of price controls on some foods and the provision of special incentives for construction by means of a reduction in nominal interest rates, the granting of real estate tax exemptions and the application of prime interest rates to mortgages.

As a result of the above-mentioned political tensions, starting in June 1987 deposits in the international financial centre began to drop. This was particularly true of deposits made by foreigners in the national banking system, i.e., in those institutions which operate in both the local and foreign markets. Deposits in the national banking system decreased by more than US\$8 billion, falling from US\$25.4 billion as of the end of 1986 to US\$17.2 billion in December 1987. In spite of the smaller supply of available funds, however, these institutions continued their normal financing of activities in the Colón Free Zone and even increased the flow to cover the greater value of its operations. Consequently, the reduction in available resources had a negative effect not only on the deposits and loans of the banking system, especially external loans, but also on credit for domestic activities such as agriculture and construction and on consumer and housing loans.

Agriculture expanded substantially owing to the excellent performance of bananas and coffee, the main export crops. Services for external markets, such as those related to the Colón Free Zone and to inter-ocean transport, also did well. Manufacturing, which is of little significance in an economy such as Panama's, grew more than the year before even though it slowed down to some extent in the second half of the year. The full effect of the political crisis was not immediately felt in this sector because it was generally believed that the crisis would be short-lived and that the difficulties being experienced would soon lessen, and indeed, there seemed to be some signs of this towards the end of the year.

¹See ECLAC, *Economic Survey of Latin America and the Caribbean*, 1986 (LC/G.1525-P), April 1989, pp.513-544.

Investment levels exhibited a downturn, dropping by 5% due, in particular, to the deterioration in public investment, which was considerably sharper than the decrease of the year before, although it tended to be minimal in the case of the central government; the drop in investment weakened para-State enterprises, principally as a result of their difficult financial situation. In contrast, private investment maintained a positive growth rate thanks to an intensification of construction activity in the first part of the year in response to the credit incentives established beforehand by the national banking system, despite the slowdown seen in the last few months. In close relation to this last factor, construction, which is an important source of jobs, especially in urban areas, experienced a severe slump, and unemployment and underemployment therefore increased.

Private consumption fell slightly in overall terms and more steeply in per capita terms as a consequence, on the one hand, of the increase in open unemployment and, on the other hand, of the decrease in the flow of consumer credit.

As for government finances, the authorities were able to reduce the fiscal deficit, which had risen in 1986, by means of tax adjustments and a strict control of spending, especially investment. In spite of this improvement, however, the level of public-sector indebtedness remained very high, and it therefore became necessary to suspend the servicing of commitments towards the end of the year when the government encountered difficulties in obtaining resources in the international financial centre. In addition, as a result of the gradual handing over of the responsibility for the administration of the Canal in accordance with the terms of the treaties signed with the United States 10 years earlier, it was necessary to spend a certain amount on maintenance, which, according to official sources, has become more expensive because of the deterioration of the infrastructure. This put a strain on public finances and somewhat diminished the favourable impact of the Canal's return.

One of the greatest constraints affecting Panama in 1987 related to its external financial relations. As it became increasingly difficult for the country to service its external debt (in fact, Panama found it necessary to suspend a large part of these payments during the final months of the year), progress in the renegotiation of its debt faltered and it had more trouble in obtaining fresh credits. This was aggravated by the increasing cost of credit denominated in currencies other than the United States dollar due to the latter's devaluation. This was a factor of major significance in the case of the yen, since trade and financial relations between Panama and Japan have been mounting during the 1980s. In addition, an increase was seen for the second consecutive year in the profit remittances sent abroad by foreign enterprises.

All these unfavourable circumstances, many of them unforeseen, made it very difficult for the government to adopt an economic policy compatible with the adjustment which had been programmed ever since 1985 or with the emergency situation in the country, which became more severe in the second half of 1987. As a consequence of this situation, the relative upturn observed during the last weeks of the year was not great enough to cancel out or even mitigate these adverse effects, most of which ran over into 1988.

2. Trends in economic activity

a) *Total supply and demand*

Total supply grew less than the product as a result of the more than 1% contraction in imports. The decrease in imports was mainly due to financial difficulties such as the lack of new international credits. However, the decision to cut back or even suspend the execution of selected production programmes in some sectors during the second half of the year, as in construction, and the decreased supply of imported inputs were also contributing factors (see table 2).

The trends in the various components of demand differed, inasmuch as domestic demand was virtually stagnant whereas the volume of merchandise exports expanded by almost 9%. Services exports contracted as a result of the pronounced drop in international financial services in the second half of the year and in tourism. The tense atmosphere prevailing in the country during the second half of the year undoubtedly had something to do with this.

After two years of very rapid growth, capital formation began to fall off considerably and this downturn became increasingly marked as the year progressed. The government's pledge to reinforce the application of its adjustment policy (which it made when the first signs of the impending

financial bottleneck appeared) caused the decline in public investment to accelerate. The investment coefficient (fixed investment/product), which had reached 24% in 1980, went down to 19% in 1987 whereas the coefficients for public investment in those same years were 10% and 2%, respectively. Because of these limitations, the public sector ceased executing large-scale investment projects and even reduced allocations for the maintenance of equipment, including that used for electrical power generation and distribution and for road infrastructure works.

Private investment also slowed, especially in the final months, as the possibilities of obtaining domestic or external financial support, became more limited. In many cases, the difficulties were caused by the impossibility of securing mortgages, since this prevented dwellings and commercial units of large finished buildings from being sold on the market, thereby tying up working capital in the sector.

Thus, overall, investment in construction dropped considerably, mainly because of the sharp decline in public investment. A decrease was also recorded in investment in machinery and equipment (almost all of which, in the case of Panama, is imported) after three years of continuous increases. In spite of the fact that efforts in this sphere had gradually flagged, around the beginning of the last quarter two petroleum exploration contracts were signed with firms having links with European capital; moreover, in the last months of the year the government authorized the execution of the works corresponding to the second (expansion) phase of the La Fortuna hydroelectric dam. These works were to be commenced in early 1988. In the short term, they will increase the capacity of the reservoir and, within a total of two or three years, will permit the basic energy infrastructure to be expanded. Most of the financing for the project was to come from the World Bank and Swedish technical assistance was also to be provided.

Total consumption climbed slightly owing to the increase in government consumption. Private consumption declined by a slight amount, largely as a result of the combination of two opposing factors: the rise in unemployment and the reduction in consumer credit. In somewhat of a contradiction to the economic policy discussed in connection with public investment, the wages and salaries component of government consumption rose more than that of purchases of non-personal goods and services. This seems to indicate that, particularly in the first part of the year, the government created some new civil-service or military jobs; although this trend may have reversed during the last months of the year, it did not offset the initial upward pressure.

b) *The main sectors*

The services associated with the country's strategic position as regards world trade channels, which are the most important activities in the Panamanian economy, exhibited a positive trend, except in the case of those services of the international banking centre relating to typically domestic operations. Goods-producing sectors were not affected by extra-economic factors either, and the credit squeeze of the second half of the year did not have any immediate unfavourable effects, except in construction. There was a contraction in trade, however, except in the Colón Free Zone, and in tourism (see table 3).

i) *Agriculture.* Agriculture recovered and even surpassed its pre-1986 levels thanks to the absence of weather and labour problems such as those which had affected banana production the year before. The growth of this subsector, which represents about 30% of all agricultural production, accounted for a great deal of the increase that was recorded, which offset the downturns in other items (see table 4).

As for export crops, the rise in the output of bananas was reinforced by a sharp increase in the coffee harvest, the country's second-largest crop-farming export. In the case of bananas, the higher production figure was partly due to the fact that the transnational corporation which operates in Panama redirected additional resources to this activity after it discontinued its exploitation of a large plantation in Costa Rica. In the case of coffee, high international prices in 1986 encouraged producers to expand their operations and improve harvesting methods in 1986/1987; these efforts soon produced positive effects, especially since productivity is relatively low compared with other countries. Finally, sugar cane production declined once again. One of the reasons for this decrease was, as in earlier years, the progressive reduction of the country's import quota for the United States preferential market. This quota, which was 104 000 tons in 1981 and 68 000 tons in 1985, was cut to 37 000 tons in 1986 and to only 26 000 tons in 1987.

Insofar as production directed primarily at the domestic market is concerned, the output of rice—a crop which has traditionally yielded surpluses in Panama—more than made up for the 1986 drop, thanks to a good rainfall pattern. Maize, which together with sorghum is chiefly used as animal feed, partly recovered from the decrease of the preceding year with the help of an import substitution programme. Finally, the production of beans, the third-largest domestic crop, declined again. Ecological and soil conditions in Panama are not the most suitable for this crop, and it is gradually being replaced by others.

Livestock subsector expanded less than crop-farming and the performances of its various components differed from one another. The tendency to substitute poultry and pork for beef became stronger, and beef production was also discouraged by the drop in external demand; thus, for the third consecutive year, stocks and slaughtering declined. At the same time, programmes to expand pork production, which have been in place for over three years now, were stepped up. In addition, there was a steady increase in poultry stocks and, for the second year running, a considerable rise in slaughtering. The expansion recorded in the latter was mainly due to advantageous relative prices and was facilitated by the fact that more than 90% of Panamanian crop-farming production is concentrated in the hands of large private enterprises having links with retail marketing chains. The increase in the output of eggs was also notable. Milk production once again rose at a steep rate as the tendency to expand dairy farming in response to the deterioration of beef production grew stronger. Stocks of these products as of the end of the year were the highest of the decade.

Forestry declined considerably once again. This drop was associated with the conservation programmes which have been carried out for several years. The aim of these programmes is to rationalize logging in order to permit the necessary regeneration of forests as a means of supporting the hydrological régime related to the operation of the inter-ocean canal. In line with this effort, the ban on the logging of timberland remained in force.

In the fishery sector, the shrimp and mollusk (such as conch) catch decreased, thereby offsetting the increase in the catch of fish for industrial use. Various factors played a part in this decline. Firstly, in the case of conch, whose exports had risen substantially in 1986, the demand for this item on the United States market dwindled as this country's production levels recovered. Secondly, the catch of shrimp and other species for industrial use was smaller because of climatological changes associated with variations in the El Niño current in the Pacific Ocean (see table 5).

ii) *Manufacturing.* This sector grew more than in the past few years, but the trends in its various branches differed. Traditional industries (with the exception of paper, printing and publishing) declined at varying rates, while the more dynamic or modern branches of industry generally expanded. Within the latter category, petroleum refining, which had suffered reductions in previous years, increased significantly (17%). This was mainly due to the greater domestic demand for petroleum as an intermediate good for use in the generation of thermoelectricity as a consequence of the seasonal drop in the catchment capacity of hydroelectric dams. Very large increases were recorded in a number of branches of the chemical industry and the basic metals and non-metallic minerals industries, some of whose products have become fast-growing non-traditional exports, although the amounts sold were still very small (see table 6).

The deterioration in the country's financial situation which began to be observed midway through the year was reflected in a change in the industrial indicators for the second half of the year. The decrease in the availability of loans affected industrial entrepreneurs and had an impact on unemployment rates. This in turn, caused demand for consumer products, including some essential goods, to drop. The declines seen in various branches of industry primarily oriented towards domestic consumption was largely a consequence of the above.

Traditional industries continued to account for approximately 70% of all manufactures and, within this category, food, beverages, and tobacco represented nearly 50% of the sectoral total. A decline was observed in footwear and leather products as a result of the downturn in livestock activity, while the decrease in wood and wood products was partially attributable to the reduction in logging. On the other hand, the production of paper and paper products climbed in response to the expansion of banana exports, which are packed in cardboard boxes.

Some firms continued their production programmes on the assumption that the effects of the non-economic measures being taken would be short-lived. As a result, stocks of finished and unfinished products.

iii) *Construction.* Among the goods-producing sectors, construction has traditionally been a driving force behind the economy which has itself been stimulated, at various times, by large investments from other activities. For example, the development of the banking centre and the establishment of the Colón Free Zone prompted marked expansions in commercial construction. More recently, the rapid growth of these commercial activities gave rise to an increase in the building of both high-cost and standard housing. In 1987, the expectations of this sector were extremely optimistic, as may be seen by the number of permits that were issued for construction and for major repairs and remodeling. Moreover, a notable increase in residential construction was expected to occur as a result of the credit and tax measures adopted by the government. This sparked a substantial rise in the production of construction materials, especially prefabricated cement products and other manufactures which use cement as an input. By prompting an increase in the industrial use of stone, these expectations also had an expansionary effect on the mining and quarrying sector.

Towards the end of the year, however, activity in the sector fell off sharply as the decrease in the financial resources of the banking system led to a credit squeeze during the second half of the year. This presumably caused, on the one hand, a large amount of stock to accumulate in industries connected with this activity and, on the other hand, a sharp drop in employment in the sector. Nevertheless, for the year as a whole, employment in construction climbed (see table 7).

iv) *Basic services.* The electricity, gas, and water subsector grew at a faster rate than in 1986, particularly because of the increase in the production of gas. Although the generation of electricity rose, it did so at a considerably lower rate than the year before due to the decrease in the output of hydroelectricity caused by the drop in reservoir levels (at the start of the year, before the rainy season began, there were electricity cuts because of the shortage of water) and to the gap between the limited water catchment capacity and the turbine generating capacity of these installations. Consequently, the generation of thermoelectricity which had been declining significantly in recent years, increased considerably despite the fact that in 1987 installed capacity decreased for the second year running. The increases in power generation were mainly oriented towards industrial and residential use. Although they represented only a small share of total demand, exports of electrical power to Costa Rica, which were begun in 1985, climbed substantially. It should be noted that early in 1987 the interconnection between the two countries was inaugurated. This not only facilitated the linkage of their power networks, but also hooked them up to the electrical power systems of the rest of the Central American Isthmus (see table 8).

Thanks to the installation of new water works, the supply of drinking water increased by approximately 3%, which was slightly more than the rate of population growth.

v) *Transport, storage and communications.* This sector continued to be the largest single component of the product (23%) and its growth rate was similar to that of the total product (almost 3%) (see table 9). Its main components continued to be those related to international trade. Although the growth rate in the movement of ships through the Panama Canal was very slow (less than 1% as compared with 5% in 1986), this was offset by the increases in the flow of petroleum through the trans-isthmus pipeline and in the operations of the Colón Free Zone, which have gradually been climbing back up to the volumes recorded in the early years of the decade.

The fact that the increase in the value added by the Canal was so small was primarily due to the slower expansion of international trade flows and, to a lesser extent, to some technical problems. Canal operations were not affected by the sociopolitical tensions which arose during the second half of the year. As regards the movement of cargo, a steep increase (41%) was observed in grain shipments (principally maize). The flow of petroleum and petroleum products declined 16%, basically because shipments of crude oil dropped from 13 to 9 million tons. One of the reasons for this was the decrease in shipments from Ecuador as a result of the damage sustained by its oil pipeline. On the other hand, the transport of fertilizers rose by 21%, but this was offset by a steady decline in the shipments of coal and coke. The transport of motor vehicles (which accounted for the rapid growth of Canal traffic in 1986) continued, but did not increase significantly. Most of this flow (around 70%) was between Japan and the east coast of the United States.

Trade between the east coast of the United States and Asia continued to be the largest component of Canal traffic (almost 40% of total crossings) and the amount of cargo transported climbed from 50 600 to 58 100 million long tons. Government revenue from Canal operations reached a total of US\$78 million, which was 1.4% more than in 1986. The progressive integration of

Panamanian personnel into the operation and administration of the Canal continued; in 1987 Panamanians represented 83% of all employees, whereas in 1979 (when the Torrijos-Carter agreements were signed) the figure had been less than 70%.

The flow through the trans-isthmus oil pipeline grew by 5% as an increase in the price of crude oil on international markets prompted a resurgence of Alaskan oil production, whose transport to the east coast of the United States accounted for almost all of this flow.

The contribution made by the Colón Free Zone to the gross domestic product climbed by 10% thanks to a further expansion in re-exports to Latin American markets, especially in the second half of the year. Because of the seasonal nature of this trade, accumulated stocks in the Zone as of the end of 1987 were not large.

Land transport decreased by about 4% due to labour problems and to the partial closing of the frontier with Costa Rica. A longer-term problem has been the tendency of industrial and commercial enterprises to use their own means of transport. On the transport-related services, however, increased by 4% owing to the expansion of port activities.

vi) *Commerce, tourism and other services.* Downturns were recorded in wholesale and retail commerce (excluding the Colón Free Zone) and tourism. These decreases were attributable to the effort to rationalize public spending, which dampened the demand generated by the State and public employees; the tightening of consumer credit prompted by the above-mentioned decrease in bank deposits; the relative increase in the prices of imports from Asia caused by the devaluation of the dollar; and the political instability and climate of insecurity prevailing in the country during the second half of the year, which reduced incoming tourism. This not only affected tourism as such (restaurants and hotels) by substantially raising hotel vacancy rates and thereby contributing to an increase in unemployment, but also had an impact on commerce, especially since tourism in Panama includes a large component of commercial clients (see table 9). The growth rate for other types of services (social, personal, community, etc.) was less than half of what it had been the year before, and entertainment and recreation services decreased. This, too, was probably associated with the political problems mentioned earlier.

c) *Employment*

Because of the non-economic events referred to above and the slowdown seen in some labour-intensive activities (mainly construction, tourism and trade), the urban unemployment rate jumped, according to official figures, from 12.6% to 14% as of the date of the survey used in determining employment levels (August of each year). Given the subsequent reduction in government jobs and the progressive slowdown in the growth rate of economic activity, however, by the end of the year unemployment may well have been even higher (see table 10).

The unemployment rate has traditionally been higher in urban areas than in rural zones. In 1987 this tendency was even stronger, chiefly because at the time the survey was taken in the early part of the second semester, the activities that were being the most severely affected by the non-economic factors discussed earlier were in urban zones. In fact, urban unemployment, which in 1986 had stood at 12.5%, rose to 14% in 1987, whereas in those same years rural unemployment only climbed from 7.8% to 8.1%.

During the second half of the year the increase in urban unemployment sparked a migration from the larger to the smaller cities and to rural zones, and this shift will probably intensify in 1988. This marked a departure from the traditional trend, since in the central zone of the country, and especially in Panama City and Colón, the population, as a percentage of the total, had been increasing.

3. The external sector

The recovery being made with respect to the country's external accounts, which had begun in 1985, ran up against a number of obstacles in 1987, just at a time when some reactivation was being seen in the Latin American economies, which are major consumers of the international services provided by the country. These difficulties became more severe in the second half of the year as they were exacerbated by the political events affecting the country during those months, as well as by the structure of the public external debt, 60% of which has been made up of loans from private sources in

recent years. Unlike the situation in earlier periods, debt renegotiations ran into difficulties when creditors adopted a less responsive stance than before. This progressive difficulty encountered in paying the service on the public external debt was aggravated by the less satisfactory trend in other external variables, such as trade in both goods and services, as compared to the preceding two years. In addition, although it was not an important factor in these results, the terms of trade deteriorated somewhat following their sharp upturn of the previous year.

a) *Merchandise trade*

The deficit in merchandise trade continued to decline steadily from its 1984 peak level but was still large. Free zone operations yielded a much smaller surplus than at the beginning of the decade. This was mainly because much of the activity in these zones consists of intermediation between producers of consumer durables in industrialized countries and Latin American purchasers. It should be noted, however, that during the year free-zone exports (re-exports) and imports both grew by between 5% and 6% in current values; aside from differences caused by changes in the product mix, this was largely due to price increases.

Efforts have been made to broaden marketing channels, but given the serious financial obstacles that exist, demand is currently very depressed and is unlikely to strengthen until the countries of the region are able to begin reactivating their economies. Be this as it may, even though the surplus was less than half of that of 1982, it was nonetheless fairly considerable, and twice in the present decade this surplus has been greater than the total sales of Panama's domestically produced exports. Obviously, if it had not been for the reverse suffered by the Panamanian economy midway through the year (which was chiefly a consequence of the non-economic factors discussed above) this surplus would have been larger.

On the other hand, although the fact that the merchandise trade deficit (excluding the trade operations of the free zones) has been decreasing over the last few years is certainly a positive development, this decline has primarily been due to a reduction in imports rather than —except to a minimal extent— to an increase in exports (see tables 11, 12, 13, 14 and 15).

As for exports of Panamanian goods, sales of the main traditional export products (with the exception of bananas and fish meal) decreased both in volume and in value, whereas those of non-traditional exports grew moderately. The increase in banana exports was attributable to the fact that the main banana enterprise in the country decided to expand its production in order to offset part of the decrease in output in other countries occasioned by the suspension of the operations of various plantations. External sales of sugar, however, which is another major traditional export, plummeted (in the last four years the cumulative decrease in such exports has totalled 60%), mainly as a result of the reduction in the United States import quota for Panama (the quotas for other countries, including those in the rest of the Central American isthmus have also been lowered by comparable amounts). Consequently, a high level of idle capacity currently exists in the country's sugar mills, whose expansion during the preceding decade had been heavily promoted. There were also appreciable drops in 1987 in exports of other products such as coffee, beef cattle and shrimps. For the past several years shrimp has been the country's second largest export item. Unlike most other products, its decline was due to the above-mentioned climatic problems which affected fishery production. As in 1986, there were no exports of petroleum products.

Among non-traditional exports, sales of clothing, tobacco and medicine grew at high rates, making up for the drop in exports of leather and footwear and processed shellfish. No growth was seen in various items (such as fruit extracts and preparations, cosmetics, scrap metal, and others) which had been expected to show greater dynamism as a result of the advantages afforded to Panama under the Generalized System of Trade Preferences and the Caribbean Basin Initiative. Although exports of non-traditional products continued to be of little significance, they increased considerably in relative terms (from only 8% in 1980 to 15% in 1987).

b) *Trade in non-factor services*

The external trade balance in services, which has traditionally been the element that has brought the country's balance of payments into equilibrium, once again yielded a surplus, although it was slightly lower than in previous years. This was due to a slight drop in foreign exchange earnings from services, rather than to an increase in external payments (see table 16).

The decrease in revenue from transport and insurance services was occasioned by the factors affecting the tertiary sector that were discussed earlier: the slower growth of international trade, works in progress in the Canal, and the smaller increase registered in Colón Free Zone operations. The impact of these phenomena was too great to be cancelled out by the partial recovery that was made in terms of the revenue generated by the oil pipeline.

Moreover, as already indicated, tourism services contracted substantially, and the slowdown in the activities of the international financial centre reduced the contribution it made to the economy.

c) *Net factor payments*

In the past, the interest paid on the external debt within the framework of the international financial centre in Panama had been less than the interest payments received by this centre, but the net margin had been gradually narrowing until, for the first time, it reached a slightly negative level in 1987. In 1980, the "interest paid" entry on the current account of the balance of payments was 17 times greater than the interest paid on the public external debt. This ratio peaked in 1982 (21) and then decreased progressively, reaching a level of only nine by 1987. The decline in the total amount of interest (both receipts and payments) was primarily a reflection of the gradual decrease of international financial operations in the country. The progressive reduction in the net margin between these two types of operations was also noteworthy, especially since it reached such a point that the balance for factor services, including profits, became slightly negative in 1987.

d) *The balance on current account and its financing*

A surplus was recorded on the current account of the balance of payments for the third year running (following the economic slump of 1984, which had resulted in a deficit on this account). However, the 1987 surplus on current account was much lower than that of the preceding year (US\$245 million in 1987 as compared with a surplus of over US\$320 million in 1986). This decrease would certainly have been smaller had it not been for the conflicts which arose during the second half of the year (see table 16).

With respect to capital flows, two significant facts should be mentioned. Firstly, the inflow of unrequited official transfer payments diminished, mainly as a result of the suspension in the second half of the year of agreements which had been signed earlier with the United States Agency for International Development (AID). Secondly, according to official reports, no fresh net long-term financing was received, since outlays in the form of amortization payments exceeded loan proceeds.

e) *External indebtedness*

The public-sector debt² declined slightly in 1987, and this was reflected in an improvement in the service/disbursements ratio. This effort to pay the debt was particularly intensive in the decentralized sector, as attested to by the high level of amortization payments, which was substantially more than three times that of the year before. This was due partly to the fact that the country began to have difficulty in meeting the due dates for payments under the terms agreed to in previous years and, more importantly, to its creditors' growing reluctance to grant easier terms as regards repayment periods and interest rates. Thus, the debt service absorbed more than 25% of the country's exports of goods and services. If the debt service is compared with total external sales of goods and services excluding free-zone exports (re-exports), then the percentage rises to 60%. In 1986, these percentages were 13% and 31%, respectively (see tables 17 and 18).

As a corollary to the country's difficulties in acquiring liquid external funds to cover its external debt obligations and, especially, to the financial squeeze experienced in the second half of the year, there were delays in meeting external commitments and some payments were even suspended. This problem was compounded by the fact that almost 80% of the loans received in 1987 came from

²In Panama accounting records provide information only on the public sector's external debt. Given the characteristics of the international banking centre which operates in the country, capital flows (assets and liabilities of the system) cannot be classified in the same way as in other countries and it is difficult to ascertain whether bank loans to individuals were contracted locally or from foreign creditors.

private sources; this indicated a worsening of the debt profile which is likely to have future repercussions in terms of a relatively greater increase in servicing. Two credit agreements which were signed with Spanish institutions in 1987 represented exceptions to the rule. These agreements provided for more than US\$20 million in financing, to be granted on relatively advantageous terms, for purchases of goods and services from that country. Two other agreements were reached with the Government of France for approximately US\$20 million for establishing and equipping a large-scale hospital unit. Because some official financial institutions suspended their loan operations with the country in the last months of the year, however, some major investment projects which had already been approved, such as those relating to the energy sector, appeared to be coming to a standstill.

4. Prices and wages

a) *Prices*

Due to the very open nature of the Panamanian economy and the absence of exchange rate distortions, consumer prices rose very little, with the percentage increase being similar to the rate registered in Panama's main trading partners. The available statistics which are (only for Panama City) indicated that consumer prices were virtually stable (a rise of less than 1%), as they have been for more than four years now (see table 19). The government's earlier decision to reduce or eliminate central government subsidies for the rest of the public sector apparently did not cause any major alterations in the system of domestic prices and rates, at least as regards those which have a significant influence on the consumer price index. The only changes were in some food prices, which, in some cases, may have been due to the behaviour of demand for such items as fresh and canned fish and shellfish, which increased by almost 12% and, in others, to the policy of eliminating ceiling prices on a series of staples. This measure was part of the structural adjustment agreement reached with international financial agencies in 1986. It should be noted that food prices went up by a somewhat larger amount than the overall consumer price index.

Wholesale prices, however, were less stable. The greatest variation was seen in the prices of imported products; this was mainly attributable to the considerable influence of petroleum prices, which increased sharply during the year. Another factor which seems to have helped push prices upward was the increase of the prices in balboas (or in dollars) of imports from some industrialized countries —especially Japan— whose currencies appreciated against the dollar.

b) *Wages*

There were once again marked differences among the wages paid in the various branches of activity and between those paid in urban and rural areas. The wages of the highest-paid workers (as in earlier years, the employees of the Canal Zone, more than 80% of whom are Panamanian) were 10 times higher than minimum wages in areas other than Panama City. In nominal terms (and in real terms, given the very low level of inflation in the economy), increases of from 2% to 3% were registered in the wages paid in the banking and manufacturing sectors of the capital city; these wages had also risen in preceding years (see table 20).

According to official figures, the total remunerations of central government employees climbed by over 5%. This was apparently due to both a small increase in the number of jobs and a rise in the average wage. Nevertheless, this policy was changed during the year, and there were even some dismissals; then, in October, the government decided to maintain its staff strength at its present level, relocate some employees, and freeze wage increases.

Minimum wages and the salaries of employees of commercial enterprises in the capital decreased slightly in real terms. In the former case, this was because the same minimum wage in nominal terms was maintained for the fourth year in a row and, in the latter case, because commercial activity flagged as a result of the fall in demand associated with the social and political events which occurred from June onward. It should be pointed out that the minimum wage in Panama City, which is more than US\$2 000 per year, is far higher than those of most Latin American and Caribbean countries.

Labour conflicts, all of which were connected with wage issues, were more frequent than in previous years, especially as unemployment increased. These conflicts, which intensified during the second part of the year, had been in the making, according to trade-union leaders, ever since the country's structural adjustments measures were established (in the case of the public sector, these provisions called for a reduction in staff). The most significant conflicts were those which affected port activities, social security, the State electricity company, the banking system, part of the textile industry, transport and education. Although these conflicts did not give rise to substantial increases in wages, their repetition and greater frequency was related partly to economic factors (dissatisfaction with salary levels or financial difficulties and a consequent exploration of staff reduction options) and, in some cases, to non-economic factors associated with the political events of the second half of the year.

5. Fiscal and financial policies

a) *The financial situation*

In 1987 financial activity was strongly affected by the political crisis which erupted in June. As a result of this crisis, there was a sharp decrease in the assets of the international financial centre which has operated in the country since the early 1970s. These assets, which reached about US\$40 billion between 1983 and 1986 plummeted by almost US\$10 billion in 1987.

The international financial centre is made up of more than 100 institutions. These include: two official institutions, 70 banks under general licence (foreign and national institutions which are authorized to carry out banking operations both in the country and abroad) more than 30 banks under international licence (foreign and national institutions whose offices in the country may only carry out external banking transactions), and 15 banks under agency licence (foreign agencies which may only establish field offices in the country). The number of institutions has remained more or less constant, except in the case of those under international licence, which totalled more than 40 just four years ago. This decrease was due to the fact that various institutions moved to other countries in the Caribbean Basin in response to incentives designed to encourage the formation of similar financial centres in those locations (see table 21).

The decline in the activity of the international financial centre was mainly concentrated in the national banking system, i.e., those banks under general licence, whose assets fell from nearly US\$31 billion in December 1986 to a little more than US\$22 million as of the end of 1987. The drop was particularly noticeable in items related to the external sector, both in terms of liquid assets and deposits, and mainly occurred during the second half of the year. The sharp decrease in deposits was chiefly in time and savings deposits, particularly those of foreigners and external banks (see table 22).

This led, in turn, to a reduction in loan portfolios. Loans granted to parties outside the country plunged to their lowest level in almost a decade as operations were transferred to the head offices of international banks and to other banking centres in the Caribbean subregion. In contrast, internal loans increased, although at a markedly lower rate than in 1986, but a larger share of them were directed towards financing the operations of the Colón Free Zone. Meanwhile, especially in the second half of the year, there was a significant drop in credits for truly domestic activities, such as home loans, personal consumer credit and loans for the agricultural and public sectors. The latter had expanded sharply during the three preceding years. The growth rate of credit to other financial institutions slowed, partly because of banking restrictions. Finally, credit to industry increased, thereby partly recovering from the declines of the five preceding years (see table 23).

The banking centre's interest rates on loans and on deposits reflected the trend in interest rates on international financial markets. Lending rates were very high in real terms as a result of the low level of inflation in 1987 (see table 24).

b) *Fiscal policy*

The fiscal deficit was reduced substantially in 1987, inasmuch as it amounted to 3.3% of the gross domestic product (the lowest level in the last five years), whereas it had reached 4.8% in 1986. Nevertheless, the government had serious difficulty in financing it, since debt amortization payments

grew considerably, albeit less than in the preceding year. This troublesome situation was exacerbated in the second half of the year when the resources available to the international financial centre contracted substantially, especially because this decrease had a particularly strong effect on public-sector financing (see table 25). Taking into account both the fiscal deficit and the schedule of debt amortization payments, the government's gross financing requirements apparently amounted to 14% of the gross domestic product in 1986 and to 15% in 1987, whereas in 1985 they had been equivalent to less than 8% of the product.

After the sharp imbalance observed in government finances between 1982 and 1984, an economic adjustment policy had been designed whose objective was to achieve a gradual reduction in the fiscal deficit in order to bring it into line with the structural adjustment process agreed upon with international financial agencies. This goal was reached in 1985, but in 1986 the fiscal deficit deepened once again, prompting the government to stiffen its adjustment measures. This step yielded satisfactory results in spite of the problems which arose in mid-year.

As part of the adjustment policy, a major effort has been made during the past three years to raise current income; this effort has been successful to some extent, although the growth rate of such income has been decreasing. In the virtual absence of inflation during this period, current income has risen at rates of 8%, 6%, and 5%, respectively, in the last three years. To this end, refinements were made in the systems for monitoring records and controlling tax evasion and some minor adjustments were made in tax rates. Thus, in 1985 direct taxes increased noticeably and, in 1986, indirect taxes rose. The slowdown in the growth rate of such income in 1987 was due to a pronounced decrease in receipts from foreign trade as a result of the reduction of customs duties associated with the process of opening up the economy. It should also be mentioned that the drop in the rate of expansion of some economic activities in the second half of the year undoubtedly had something to do with the decline in the growth rate of tax revenue.

The adjustments made in spending were also successful, since total expenditure went down by 1.5%. In 1985, the first year of the adjustment policy, it had decreased by almost 7%, but the following year it proved impossible to repeat this performance and total expenditure climbed by more than 9%. The authorities therefore applied this policy more strictly in 1987 so that they might meet the goals set for the fiscal deficit. Wages, which are by far the largest item of expenditure, rose very slowly, although more rapidly than in 1986 both because of a slight increase in the number of government employees and because of wage adjustments in some sectors of the administration. Purchases of non-personal goods and services, which had risen considerably the year before, showed only a slight increase as quite harsh guidelines began to be applied in keeping with the austerity policy. However, unlike these increases, which were in line with the policy adopted, current transfers of resources to other public institutions climbed steeply. This last distortion of current expenditures was offset by a considerable drop in interest payments on both the external and domestic debts as such payments began to be suspended in the final months of the year due to the increasing shortage of liquidity.

Lastly, capital expenditure contracted significantly (-32%) as a result of the fact that real investment continued to weaken (it fell by 36% in 1987 and was thus almost 60% lower than in 1984). Financial investment and capital transfers also decreased considerably.

Table 1

PANAMA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	104.0	109.1	109.1	108.6	113.8	117.3	120.4
Gross national income	104.8	106.5	110.9	112.3	120.8	128.6	129.1
Population (millions of inhabitants)	2.00	2.04	2.09	2.13	2.18	2.23	2.27
Per capita gross domestic product	101.8	104.5	102.2	99.6	102.1	103.1	103.6
Growth rates							
B. Short-run economic indicators							
Gross domestic product	4.0	5.0	-0.1	-0.4	4.8	3.1	2.7
Per capita gross domestic product	1.8	2.7	-2.2	-2.5	2.6	1.0	0.6
Gross national income	4.8	1.6	4.2	1.3	7.7	6.5	0.4
Unemployment rate ^b	...	8.4	9.7	10.1	12.3	10.5	11.6
Consumer prices							
December to December	4.8	3.7	2.0	0.9	0.4	0.4	0.9
Variation between annual averages	7.3	4.2	2.1	1.6	1.1	-0.1	1.0
Real wages and salaries ^c	-1.4	2.9	1.1	4.2	0.6	2.6	1.4
Current income of government	13.7	7.3	6.8	1.2	7.9	5.6	5.1
Total expenditure of government	...	...	...	6.9	-6.7	9.2	-1.5
Fiscal deficit/total expenditure of government ^b	...	...	23.6	27.7	16.4	19.1	13.7
Fiscal deficit/gross domestic product ^b	...	...	4.3	5.0	3.8	4.8	3.3
Current value of exports of goods and services	9.4	-3.0	-17.6	-0.6	12.8	11.0	2.2
Current value of imports of goods and services	10.6	-7.8	-27.2	7.5	8.8	8.2	1.2
Terms of trade (goods and services)	-3.8	-7.4	14.0	3.0	1.2	16.4	-4.6
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-329	-124	255	35	156	262	303
Net payments of profits and interest	362	37	126	-16	45	105	-12
Balance on current account	-23	-152	311	-45	162	325	245
Balance on capital account	-52	136	-323	-39	-276	-264	-336
Variation in international reserves (net)	-68	-9	-3	-70	-157	30	-88
Disbursed public external debt ^d	2 333	2 820	3 392	3 644	3 642	3 835	3 731

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cWages in manufacturing in Panama City.^dRefers to contractual

public-sector debt.

Table 2

PANAMA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	109.0	110.1	111.9	148.8	138.2	1.9	3.8	1.0	1.6
Gross domestic product at market prices	113.8	117.3	120.4	100.0	100.0	-0.4	4.8	3.1	2.7
Imports of goods and services ^b	99.3	95.4	94.3	48.8	38.2	7.7	1.5	-4.0	-1.2
Total demand	109.0	110.1	111.9	148.8	138.2	1.9	3.8	1.0	1.6
Domestic demand	111.1	111.8	112.1	103.4	96.3	5.6	2.5	0.6	0.3
Gross domestic investment	78.7	88.5	88.2	27.7	20.3	-10.6	6.3	12.5	-0.4
Gross fixed investment	90.7	99.6	94.6	24.3	19.1	-6.8	6.8	9.8	-5.0
Construction	74.2	81.5	76.1	15.9	10.0	-16.1	-2.6	9.8	-6.6
Machinery	121.6	133.5	129.2	8.5	9.1	10.2	20.1	9.8	-3.2
Public	52.8	45.9	23.2	9.9	1.9	-12.7	-17.8	-13.1	-49.5
Private	116.7	136.5	143.7	14.4	17.2	-4.0	17.9	16.9	5.3
Changes in stocks	-7.9	8.8	41.6	3.4	1.2				
Total consumption	123.0	120.3	120.9	75.7	76.0	10.1	1.6	-2.2	0.5
General government	124.3	134.7	141.2	19.1	22.4	1.3	1.6	8.4	4.8
Private	122.6	115.4	114.0	56.6	53.6	13.5	1.6	-5.9	-1.2
Exports of goods and services ^b	104.3	106.4	111.3	45.4	41.9	-6.4	7.2	2.0	4.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bThe figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were then converted to constant 1980 values using price indexes calculated by ECLAC for that purpose.

Table 3

**PANAMA: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	113.8	117.3	120.4	100.0	100.0	-0.4	4.8	3.1	2.7
Goods	97.1	98.7	102.3	26.5	22.5	-3.9	2.7	1.6	3.6
Agriculture ^b	117.4	114.8	124.2	9.0	9.3	1.7	5.0	-2.2	8.2
Mining	77.5	80.6	87.0	0.2	0.1	-23.6	-7.6	4.1	7.9
Manufacturing	98.5	101.0	105.6	10.0	8.8	-0.5	2.0	2.6	4.5
Construction	70.7	75.9	71.0	7.3	4.3	-17.4	-	7.4	-6.6
Basic services	133.2	135.1	139.8	23.4	27.2	-3.0	7.0	1.4	3.5
Electricity, gas and water	129.3	137.0	146.7	3.2	3.9	-1.1	7.8	5.9	7.1
Transport, storage and communications	133.8	134.8	138.7	20.2	23.3	-3.3	6.8	0.8	2.9
Other services	117.4	122.2	124.6	52.0	53.8	2.8	4.2	4.1	2.0
Commerce, restaurants and hotels	98.0	99.6	97.4	17.4	14.0	0.4	4.6	1.6	-2.2
Financial establishments, insurances, real estate and business services	125.6	133.6	141.2	14.1	16.6	3.6	4.3	6.4	5.7
Ownership of dwellings	115.1	119.9	130.4	7.0	7.5	2.7	2.9	4.1	8.8
Community, social and personal services	128.1	133.4	136.3	20.5	23.2	3.9	3.9	4.1	2.2
Government services	128.6	131.8	135.4	12.5	14.1	3.2	4.2	2.5	2.7

Source: ECLAC, on the basis of official figures reweighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures.

^bIncluding livestock, forestry and fishing.

Table 4

PANAMA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates		
						1985	1986	1987 ^a
Index of agricultural production (1970 = 100)	119.2	135.5	140.3	136.4	145.9	3.5	-2.8	7.0
Crop-farming	111.7	119.0	124.5	115.8	128.5	4.6	-7.0	11.0
For export	103.1	120.2	121.5	110.0	126.0	1.1	-9.5	14.5
For domestic consumption	122.5	117.5	128.3	123.3	131.7	9.2	-3.9	6.8
Stock-raising	139.1	176.7	181.1	189.7	194.8	2.5	4.7	2.7
Forestry	109.2	137.1	128.7	119.4	100.8	-6.1	-7.2	-15.6
Production of main crops^b								
For export								
Bananas	1 035.0	1 056.0	1 067.0	907.0	1 251.0	1.0	-15.0	37.9
Sugar cane	2 257.3	2 006.8	1 759.9	1 660.3	1 507.1	-12.3	-5.7	-9.2
Coffee	7.6	10.8	9.4	10.6	12.3	-13.0	12.8	16.0
For domestic consumption								
Rice	170.1	175.0	186.5	180.6	189.6	6.6	-3.2	5.0
Maize	55.1	70.7	96.3	92.7	94.6	36.2	-3.7	2.0
String beans	2.7	2.9	4.4	4.0	3.9	51.7	-9.1	-2.5
Tobacco	1.8	1.3	1.4	1.5	...	7.7	7.1	...
Cassava	32.0	34.0	35.0	35.0	...	2.9	-	...
Pineapple	7.0	7.0	13.0	14.0	...	85.7	7.7	...
Coconuts	23.0	21.0	21.0	21.0	...	-	-	...
Indicators of stock-raising production								
Stocks ^c								
Cattle	1 405	1 452	1 447	1 430	1 415	-0.3	-1.2	-1.0
Pigs	212	195	208	250	274	6.7	20.2	9.6
Poultry ^d	4 797	6 009	5 789	6 659	7 658	-3.7	15.0	15.0
Slaughtering ^e								
Cattle	215	284	295	296	289	3.9	0.3	-2.4
Pigs	121	144	156	176	195	8.3	12.8	10.8
Poultry	13 906	19 402	17 602	20 242	23 278	-9.3	15.0	15.0
Other products								
Milk ^f	91	93	93	104	117	-	11.8	12.5
Eggs ^g	188	211	192	206	233	-9.0	7.3	13.1

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures. ^bThousands of tons. ^cThousands of head. ^dPoultry stocks were estimated by the National Sectoral Planning Office of the Ministry of Agricultural Development based on a survival rate of one out of the approximately four broods hatched per year per hen, according to the number of birds in hatcheries. ^eMillions of litres. ^fMillions of units.

Table 5

PANAMA: INDICATORS OF FISHERY PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of fishery production (1970 = 100)	153.3	136.9	196.4	275.5	267.9	-4.1	43.5	40.3	-2.8
Shrimps	116.8	111.5	144.4	160.3	146.6	-3.3	29.5	11.0	-8.5
Fish	259.6	194.9	354.6	256.1	315.0	-7.5	81.9	-27.8	23.0
Other ^{bc}	10 363	10 663	13 225	109 388	100 538	1.3	24.0	727.1	-8.1
Catch^c									
Shrimps ^d	5 724	5 594	8 629	7 174	7 170	-27.8	54.3	-16.9	-0.1
Lobsters	453	75	149	460	530	-67.8	98.7	208.7	15.2
Fish	183 000	107 612	245 539	92 873	141 400	-20.2	128.2	-62.2	52.3
Fresh	3 500	1 100	1 100	2 800	700	-5.0	72.7	47.4	-75.0
Processed	179 000	106 500	244 100	90 800	140 700	-19.7	129.2	-62.8	55.0

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures. ^bMainly conches and other mollusks. ^cTons. ^dExcludes production from artificial breeding grounds.

Table 6

PANAMA: INDICATORS OF MANUFACTURING PRODUCTION

	1984	1985	1986	1987 ^a	Percentage breakdown ^b		Growth rates		
					1985	1987 ^{ac}	1985	1986	1987 ^a
Index of manufacturing production (1981 = 100)	98.6	99.8	102.7	106.1	100.0	100.0	1.2	2.9	3.3
Food, beverages and tobacco	99.5	103.8	108.4	107.2	48.1	50.2	4.3	4.4	-1.1
Textiles, clothing and leather products	92.1	99.1	98.9	97.3	5.2	4.8	7.6	-0.2	-1.6
Wood, furniture and accessories	107.5	104.2	101.1	91.8	2.4	2.1	-3.1	-3.0	-9.2
Paper, printing and publishing	95.6	96.0	91.6	93.6	7.4	7.2	0.4	-4.6	2.2
Chemicals and petroleum products	111.7	107.6	105.3	123.2	26.9	23.9	-3.7	-2.1	17.0
Non-metallic minerals	77.9	75.5	91.7	98.6	4.4	5.6	-3.1	21.5	7.5
Basic metal industries	63.4	66.9	76.0	101.0	0.8	1.1	5.5	13.6	32.9
Metal products	103.6	92.9	93.3	107.2	4.5	4.8	-10.3	0.4	14.9
Other manufactures	92.7	92.1	106.1	98.7	0.3	0.3	-0.6	15.2	-7.0
Production of some important manufactures									
Fish oil ^d	7.5	33.7	14.5	13.8			349.3	-57.0	-4.8
Fish meal ^d	22.5	45.7	17.1	31.4			103.1	-62.6	83.6
Sugar ^d	167.0	151.0	131.0	115.1			-9.6	-13.2	-12.1
Beer ^e	73.4	79.7	92.5	101.4			8.6	16.1	9.6
Carbonated beverages ^e	77.4	79.4	90.6	98.6			2.6	14.1	8.8
Evaporated, condensed and powdered milk ^d	17.8	19.2	22.2	20.8			7.9	15.6	-6.3
Cigarettes ^f	911.3	873.0	872.8	825.6			-4.2	-	-5.4
Footwear ^g	1 617.6	1 794.3	2 050.4	1 957.8			10.9	14.3	-4.5
Other indicators of manufacturing production									
Industrial consumption of electricity ^h	228.7	252.4	267.6	307.2			10.4	6.0	14.8
Employment ⁱ	60.0	66.6	64.2	70.7			11.0	-3.6	10.1

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures, based on the gross value of production rather than the value added. The figures shown here therefore do not necessarily coincide with those appearing in table 3. ^bOn the basis of the gross value of production, at current prices. ^cFor the first three quarters. ^dThousands of tons. ^eMillions of litres.

^fMillions of units. ^gThousands of pairs. ^hMillions of MWh. ⁱThousands of workers.

Table 7

PANAMA: CONSTRUCTION INDICATORS

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Area constructed^b									
(thousands of m ²)	401	378	484	678	...	17.0	28.0	40.1	...
Residential	208	302	341	481	...	72.6	12.9	41.1	...
Production of some construction materials									
Structural steel (thousands of tons)	22	11	14	15	18	-8.3	27.3	7.1	20.0
Cement (thousands of tons)	322	304	308	354	380	-9.3	1.3	14.9	7.3
Employment^c (thousands of persons)	30.6	31.6	33.3	34.6	36.4	-9.2	5.5	3.9	5.2

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures.

^bAccording to building permits requested.

^cHousehold survey data.

Table 8

**PANAMA: INDICATORS OF ELECTRICITY GENERATION
AND CONSUMPTION**

	Thousands of MWh					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total supply	2 228.1	2 260.7	2 449.1	2 689.5	2 918.1	1.5	8.3	9.8	8.5
Electricity generated (net)	2 205.6	2 199.9	2 419.1	2 586.1	2 670.4	-0.3	10.0	6.9	3.3
Electricity generated (gross)	2 273.1	2 245.4	2 456.5	2 620.5	2 715.4	-1.2	9.4	6.7	3.6
Hydroelectric	877.4	1 491.5	1 929.2	2 095.6	2 031.4	70.0	29.3	8.6	-3.1
Thermal	1 395.7	753.9	527.3	524.9	684.0	-46.0	-30.1	-0.5	30.3
Less: plant services	67.5	45.5	37.4	34.4	45.0	-32.6	-17.8	-8.0	30.8
Imports	22.5	60.8	30.0	103.4	247.7	170.2	-50.7	244.7	139.6
Total demand	2 228.1	2 260.7	2 449.1	2 689.5	2 918.1	1.5	8.3	9.8	8.5
Domestic consumption	1 880.0	1 846.1	2 005.2	2 116.1	2 265.1	-1.8	8.6	5.5	7.0
Residential	528.0	522.0	560.0	607.0	666.0	-1.1	7.3	8.4	9.7
Commercial	568.0	574.0	610.0	647.0	680.0	1.1	6.3	6.1	5.1
Industrial	219.0	229.0	252.0	268.0	308.0	4.6	10.0	6.3	14.9
Public and other	565.0	521.1	583.2	594.1	611.1	-7.8	11.9	1.9	2.9
Exports	...	...	7.0	89.4	127.7	...	...	1 177.1	42.8
Transmission and distribution losses	348.1	414.6	436.9	484.0	525.3	19.1	5.4	10.8	8.5
Other indicators									
Coefficient of losses/total supply ^b	15.6	18.3	17.8	18.0	18.0				
Consumption of bunker oil as industrial input ^c	2 880.3	1 519.5	1 019.9	1 017.7	1 326.2	-47.2	-32.9	-0.2	30.3
Installed capacity ^d	556.8	851.9	872.6	853.9	837.0	53.0	2.4	-2.1	-2.0

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office, and Statistical bulletins of the Institute of Water Resources and Electrification (IRHE).

^a Preliminary figures. ^b Percentages. ^c Thousands of barrels. ^d MW.

Table 9

PANAMA: INDICATORS OF SELECTED SERVICES

	1980	1983	1984	1985	1986	1987 ^a	Growth rates		
							1985	1986	1987 ^a
Millions of balboas at 1970 prices									
Gross domestic product									
Transport, storage and communications services	383.1	496.1	479.7	512.5	516.4	531.4	6.8	0.8	2.9
Oil pipelines and other water-transport services	29.3	166.2	137.9	157.1	137.5	144.4	13.9	-12.5	5.0
Panama Canal Commission	175.5	175.0	174.6	177.0	185.9	187.6	1.4	5.0	0.9
Colón Free Zone	83.1	50.8	54.8	64.1	74.2	81.7	17.0	15.8	10.1
Financial services	227.2	262.7	271.9	283.2	300.8	318.6	4.2	6.2	5.9
Banks	41.2	54.2	56.2	58.5	63.1	64.0	4.1	7.9	1.4
Insurance	12.3	14.3	14.3	15.0	15.3	15.9	4.9	2.0	3.9
Ownership of dwellings	121.9	132.8	136.4	140.3	146.1	158.9	2.9	4.1	8.8
Other	51.8	61.4	65.0	69.4	76.3	79.8	6.8	9.9	4.6
Commerce and tourism	256.4	239.4	240.4	251.4	255.4	249.7	4.6	1.6	-2.2
Wholesale	90.4	86.5	87.7	91.0	92.4	90.7	3.8	1.5	-1.8
Retail	128.5	121.7	119.0	124.9	127.2	124.3	5.0	1.8	-2.3
Restaurants and hotels	37.5	31.8	33.7	35.5	35.8	34.7	5.3	0.8	-3.1
Millions of balboas									
Other indicators									
Total deposits of national banking system ^b	21 145	26 132	23 809	24 324	26 666	18 079	2.2	9.6	-32.2
Inter-bank deposits ^c	16 978	19 586	16 755	16 612	17 495	10 526	-0.9	5.3	-39.8
By foreigners	2 563	4 297	4 673	5 193	6 118	4 691	11.1	17.8	-23.3
By Panamanians	1 604	2 249	2 381	2 519	3 053	2 862	5.8	21.2	-6.3
Insurance									
Revenue from premiums	118.5	166.6	167.3	180.9	...	...	8.1	...	...
Claims paid	67.3	84.1	85.7	92.3	...	...	7.7	...	...
Tourism									
Expenditure by in-transit tourists and travellers	171.2	171.8	188.6	207.9	202.1	185.3	10.2	-2.8	-8.3
Tourists ^d	375.0	299.0	305.0	315.0	319.0	283.0	3.3	1.3	-11.3
Hotel capacity ^e	2 428.0	2 824.0	2 849.0	2 878.0	2 909.0	3 119.0	1.0	1.1	7.2

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office, and the National Banking Commission.

^aPreliminary figures. ^bEnd-of-year balances. ^cIncludes operations among local banks. ^dThousands of persons. ^eRooms in luxury and first-class hotels in Panama City.

Table 10

PANAMA: EMPLOYMENT AND UNEMPLOYMENT

	1982	1983	1984	1985	1986	1987 ^a
Participation rates						
Economically active population/population aged 15 and over	53.7	56.1	56.1	56.9	55.6	57.8
Thousands of persons						
Unemployed population ^b	51.5	64.2	68.8	88.2	75.8	89.3
Urban	35.7	42.8	45.5	63.2	51.0	63.3
Rural	15.8	21.4	23.3	25.0	24.8	26.0
Unemployment rates						
Nation wide	8.4	9.7	10.1	12.3	10.5	11.6
Urban	10.3	11.5	11.8	15.7	12.6	14.0
Rural	5.9	7.4	7.8	8.0	7.8	8.1

Source: ECLAC, on the basis of data from household surveys conducted in August by the Comptroller-General of the Republic, Statistics and Census Office, "Encuesta de hogares", *Estadística Panameña*, August 1986-1987, *Boletín* No. 4, Panama, 26 February 1988. The figures do not include indigenous areas, the Canal Zone, and residents in collective housing.

^aPreliminary figures. ^bIn accordance with the survey, refers to persons 15 years and older within the working-age population who were not working at the time but who sought work during the previous three months.

Table 11

PANAMA: MAIN INDICATORS OF FOREIGN TRADE (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	12.0	-5.1	-30.5	0.6	17.6	21.2	5.1
Volume	10.2	10.2	-33.0	-3.2	18.1	4.9	8.9
Unit value	1.7	-13.9	3.8	4.0	-0.4	15.5	-3.5
Imports (FOB)							
Value	10.7	-8.2	-23.8	7.9	9.1	9.4	1.6
Volume	3.4	-5.4	-17.2	8.0	11.2	17.6	-1.0
Unit value	7.0	-3.0	-7.9	-0.2	-1.9	-6.9	2.6
Terms of trade	-5.3	-12.1	12.8	3.2	1.6	23.7	-5.4
Indexes (1980 = 100)							
Purchasing power of exports	104.3	101.1	76.3	76.3	91.5	118.6	122.3
Volume of exports	110.2	121.4	81.3	78.7	92.9	97.5	106.2
Volume of imports	103.4	97.9	81.0	87.5	97.3	114.4	113.3
Terms of trade	94.7	83.3	93.9	96.9	98.4	121.7	115.1

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 12

PANAMA: EXTERNAL TRADE BALANCE (GOODS)

(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987 ^a
Total balance (goods)	-775	-634	-645	-817	-753	-543	-510
Free-zone balance	298	463	318	201	185	234	222
Domestic balance	-1 073	-1 097	-963	-1 018	-938	-777	-732
Merchandise exports (FOB)	2 540	2 411	1 676	1 686	1 959	2 412	2 525
From free zones							
(or re-exports) ^b	2 221	2 101	1 372	1 428	1 658	2 085	2 186
Domestic ^c	319	310	304	258	301	327	339
Merchandise imports (FOB)	3 315	3 045	2 321	2 503	2 712	2 955	3 035
To free zones ^b	1 923	1 638	1 054	1 227	1 473	1 851	1 964
To the country	1 392	1 407	1 267	1 276	1 239	1 104	1 071

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

Slight discrepancies with table 16 result from differences in definitions of terms.

^aPreliminary figures. ^bEstimates based on differentials. ^cExcludes re-exports of goods cleared through customs.

Table 13

PANAMA: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total^b	1 959	2 412	2 525	-	-	0.6	16.7	23.1	4.7
Re-exports from free zones ^c	1 658	2 085	2 186	-	-	4.1	16.1	25.8	4.8
Domestic ^d	301	327	339	100.0	100.0	-15.1	16.7	8.6	3.7
Main traditional exports	208	192	193	78.6	56.9	-22.2	16.5	-7.7	0.5
Sugar	27	20	17	18.6	5.0	-19.5	-18.2	-25.9	-15.0
Bananas	78	70	86	17.4	25.4	-	4.0	-10.3	22.9
Coffee beans	16	30	18	2.9	5.3	-18.8	23.1	87.5	-40.0
Fresh shrimps	60	68	65	12.4	19.2	-3.9	22.4	13.3	-4.4
Beef	-	-	-	0.9	-	-50.0	-	-	-
Cattle	1	1	-	0.3	-	-50.0	-	-	-100.0
Fish meal	6	3	7	2.9	2.1	-50.0	100.0	-50.0	133.3
Petroleum products	20	-	-	23.2	-	-86.5	360.0	-100.0	-
Main non-traditional exports	44	51	52	8.3	15.3	5.9	5.6	15.9	2.0
Cocoa beans	1	1	-	3.4	-	-	-	-	-100.0
Cattle and horse hides, n.e.s.	6	9	7	0.6	2.1	81.0	-13.6	50.0	-22.2
Scrap metal	1	1	1	0.3	0.3	-	-50.0	-	-
Clothing	11	14	16	2.7	4.7	12.5	22.2	27.3	14.3
Processed shellfish	6	3	1	0.2	0.3	-	-	-50.0	-66.7
Fruit extracts	1	2	2	0.4	0.6	50.0	-66.7	100.0	-
Banana pulp	3	3	3	0.6	0.9	-33.3	50.0	-	-
Cocoa butter and paste	3	3	3	0.2	0.9	100.0	-85.0	-	-
Rum	2	2	2	1.1	0.6	-33.3	-	-	-
Uncut tobacco	3	2	4	0.4	1.2	-	50.0	-33.3	100.0
Medicines	4	5	8	0.4	2.4	-	100.0	25.0	60.0
Cosmetics	1	2	2	0.3	0.6	-	-	100.0	-
Cardboard boxes	1	2	2	0.8	0.6	-	-	100.0	-
Footwear	1	2	1	0.3	0.3	100.0	-50.0	100.0	-50.0
Other	49	84	94	13.1	27.7	11.1	27.5	71.4	11.9

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures. ^bEstimates on the basis of the balance-of-payments. ^cEstimates on the basis of differentials. ^dExcludes re-exports of goods cleared through customs.

Table 14

PANAMA: EXPORTS OF MAIN PRODUCTS, BY VOLUME

	Thousands of tons (net weight)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Main traditional exports								
Sugar	82.1	84.4	61.3	52.0	-31.6	2.8	-27.4	-15.2
Bananas	736.4	770.7	658.9	765.6	-10.7	4.7	-14.5	16.2
Coffee beans	4.3	5.5	7.6	5.6	20.3	27.9	38.2	-26.3
Fresh shrimps	5.9	7.7	8.6	8.1	-14.5	30.5	11.7	-5.8
Beef	0.7	0.1	-	-	-65.0	-85.7	-100.0	-
Cattle	3.1	0.9	0.7	-	-8.8	-71.0	-22.2	-100.0
Fish meal	6.9	35.4	9.4	35.0	-53.4	413.0	-73.4	272.3
Petroleum products	29.1	140.0	0.5	-	-85.0	381.1	-99.6	-100.0
Main non-traditional exports								
Cocoa beans	0.2	0.4	0.3	-	100.0	100.0	-25.0	-100.0
Prepared hides	3.2	2.7	4.5	3.5	82.4	-15.6	66.7	-22.2
Clothing	0.3	0.4	0.5	0.6	33.3	33.3	25.0	20.0
Fish, shellfish and mollusks (except shrimps)	1.4	1.5	0.9	...	7.7	7.1	-40.0	...
Fruit extracts	1.4	0.4	1.2	...	-12.5	-71.4	200.0	...
Banana pulp	5.5	5.9	5.9	...	-23.1	7.3	-	...
Cocoa butter and paste	1.3	0.9	1.4	...	30.0	-30.8	55.6	...
Rum	1.6	1.7	2.2	...	-30.4	6.2	29.4	...
Uncut tobacco	0.6	0.8	0.8	...	-33.3	33.3	-	...
Cardboard boxes	1.3	2.4	3.8	...	-38.1	84.6	58.3	...

Source: ECLAC, on the basis of figures provided by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures.

Table 15

PANAMA: IMPORTS OF GOODS

	Millions of dollars				Percentage breakdown			Growth rates		
	1984	1985	1986	1987 ^a	1980	1986	1987 ^a	1985	1986	1987 ^a
Total (FOB)	2 503	2 712	2 955	3 035	-	-	-	8.3	9.0	2.7
Free zones ^b	1 227	1 473	1 851	1 964	-	-	-	20.0	25.7	6.1
Into the country (FOB value)	1 276	1 239	1 104	1 071	-	-	-	-2.9	-10.9	-3.0
Into the country (CIF value), by tariff sections	1 430	1 391	1 275	1 211	100.0	100.0	100.0	-2.7	-8.3	-5.0
Food products	122	138	128	113	8.0	10.0	9.3	13.1	-7.2	-11.7
Beverages and tobacco	9	9	10	...	0.6	0.8	...	-	11.1	...
Non-edible raw materials except fuels	10	11	8	...	0.8	0.6	...	10.0	-27.3	...
Fuels and lubricants, minerals and related products	367	327	184	...	30.5	14.4	...	-10.9	-43.7	...
Crude petroleum	296	242	106	174	28.2	8.3	14.4	-18.2	-56.2	64.2
Vegetable oils and fats, except for edible margarine and lard	17	16	14	...	1.4	1.1	...	-5.9	-12.5	...
Chemicals	180	168	205	...	10.2	16.1	...	-6.7	22.0	...
Manufactured articles, according to material used	260	262	237	...	18.7	18.6	...	0.8	-9.5	...
Machinery and transport equipment	302	328	325	...	20.3	25.5	...	8.6	-0.9	...
Other	163	132	164	...	9.5	12.9	...	-19.0	24.2	...

Source: ECLAC, on the basis of figures provided by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures. ^bEstimates on the basis of differentials. Refers to transaction values of merchandise.

Table 16

PANAMA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-377	-23	-152	311	-45	162	325	245
Trade balance	-261	-329	-124	255	35	156	262	303
Exports of goods and services	3 373	3 689	3 580	2 951	2 932	3 308	3 674	3 754
Goods, FOB	2 267	2 540	2 411	1 676	1 686	1 983	2 402	2 525
Real services ^b	1 106	1 149	1 169	1 276	1 247	1 326	1 271	1 229
Transport and insurance	613	611	633	717	676	707	665	653
Travel	171	175	174	172	189	208	205	188
Imports of goods and services	3 634	4 018	3 703	2 696	2 897	3 152	3 411	3 451
Goods, FOB	2 995	3 315	3 045	2 321	2 503	2 730	2 988	3 035
Real services ^b	640	703	659	375	394	422	424	416
Transport and insurance	480	527	479	203	223	219	234	209
Travel	56	65	81	71	67	65	73	87
Factor services	-64	354	27	116	-25	36	95	-25
Profits	-71	-39	-46	-81	-121	-115	-56	-62
Interest received	4 362	6 231	5 826	4 326	3 592	3 007	2 502	2 173
Interest paid	-4 347	-5 830	-5 743	-4 119	-3 487	-2 847	-2 341	-2 123
Other	-8	-8	-10	-10	-10	-9	-11	-13
Unrequited private transfer payments	-52	-48	-55	-60	-54	-31	-32	-33
Balance on capital account	389	-52	136	-323	-39	-276	-264	-336
Unrequited official transfer payments	67	79	101	104	144	140	130	112
Long-term capital	-721	570	1 199	412	302	-287	30	52
Direct investment (net)	-47	6	3	72	103	59	-72	-6
Portfolio investment (net)	-885	203	352	63	13	-183	50	-49
Other long-term capital	211	361	845	278	186	-163	52	107
Official sector ^c	215	84	368	162	102	31	124	39
Loans received	284	217	553	232	287	60	155	...
Amortization payments	-66	-131	-183	-70	-180	-30	-29	...
Commercial banks ^c	42	134	256	204	115	-161	-107	95
Loans received	42	135	256	221	115	-161	-107	...
Amortization payments	-	-	-	-17	-	-	-	...
Other sectors ^c	-45	142	221	-88	-31	-33	35	-27
Loans received	111	303	334	143	160	87	118	...
Amortization payments	-159	-166	-114	-233	-175	-117	-78	...
Short-term capital (net)	380	-459	-1 123	-275	-232	140	42	167
Official sector	2	2	5	-	2	-5	3	2
Commercial banks	-385	-87	-630	-149	-83	-137	-8	252
Other sectors	763	-374	-499	-126	-151	282	47	-87
Errors and omissions (net)	663	-242	-40	-565	-253	-268	-467	-667
Global balance^d	11	-75	-15	-12	-84	-114	61	-91
Total variation in reserves (- sign indicates an increase)	-17	68	9	3	70	157	-30	88
Monetary gold	-	-	-	-	-	-	-	...
Special Drawing Rights	4	-2	-1	4	-	-13	12	...
IMF reserve position	-7	10	-	-9	9	-	-	...
Foreign exchange assets	5	-11	20	-100	-19	131	-84	...
Other assets	-	-	-	-	-	-	-	...
Use made of IMF credit	-18	71	-10	109	79	39	43	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bIncludes other non-factor services.

^cIncludes net loans granted and other assets and liabilities.

^dEquivalent to the total variation in reserves (of opposite sign) plus counterpart items.

Table 17

PANAMA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars								
External public debt ^b	2 210.5	2 333.1	2 820.2	3 391.7	3 644.3	3 641.7	3 835.0	3 730.9
Central government	1 578.6	1 689.8	2 049.8	2 175.1	2 263.9	2 265.5	2 376.5	2 399.0
Decentralized sector	631.9	643.3	770.4	1 216.6	1 380.4	1 376.2	1 458.5	1 331.9
Disbursements	416.9	336.6	769.1	806.5	560.6	209.4	402.3	598.9
Servicing	466.0	493.0	614.0	517.0	613.0	511.0	496.0	945.0
Principal	214.0	214.0	282.0	235.0	308.0	212.0	209.0	703.0
Interest ^c	252.0	279.0	332.0	282.0	305.0	299.0	287.0	242.0
Interest ^d	4 347.0	5 830.0	5 743.0	4 119.0	3 487.0	2 847.0	2 317.0	2 185.0
Percentages								
Ratios								
Servicing/disbursements	111.8	146.5	79.8	64.1	109.3	244.0	123.3	157.8
External public debt/exports of goods and services	65.5	63.2	78.8	114.9	124.3	111.2	104.3	99.4
Servicing/exports of goods and services	13.8	13.4	17.2	17.5	20.9	15.6	13.5	25.2

Source: ECLAC, on the basis of figures provided by the Comptroller-General of the Republic, National Accounting Office, Public Department.

^aPreliminary figures. ^bEnd-of-year balances. Refers to contractual debt. ^cRefers to the public external debt. ^dRefers to "interest paid" entry on the balance-of-payments current account.

Table 18

PANAMA: PUBLIC EXTERNAL DEBT^a

(Millions of dollars)

	Total	Official sources	Private sources
Balance as of 31 December 1986	3 835.0	1 643.1	2 191.9
Inflow	599.3	128.9	470.4
Loans received	585.9	125.8	460.1
Adjustments	13.4	3.1	10.3
Outflow	948.7	323.8	624.9
Amortization payments	703.4	250.3	453.1
Interest payments	241.5	70.9	170.6
Commissions and other expenses	3.8	2.6	1.2
Adjustments in interest and commissions	-	-	-
Balance as of 31 December 1987 ^b	3 730.9	1 521.7	2 209.2

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, National Accounting Office, Public Department.

^aMedium- and long-term public sector contractual debt. Includes the Central Government and decentralized enterprises and units. ^bPreliminary figures.

Table 19

PANAMA: DOMESTIC PRICES

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes							
Consumer price index ^b (1975 = 100)	149.4	155.7	159.0	161.5	163.2	163.1	164.7
Food	150.2	159.1	162.8	165.2	165.7	166.4	170.6
Wholesale price index ^c (1975 = 100)	239.7	245.2	235.8	238.3	237.4	199.5	202.3
Imported products	217.9	219.8	208.5	212.4	209.2	162.0	182.3
Domestic products							
Agricultural	178.6	184.2	188.0	212.8	218.3	227.2	227.9
Manufactured	275.9	285.1	274.1	269.6	269.5	228.7	215.4
Variation from December to December							
Consumer price index ^b	4.8	3.7	2.0	0.9	0.4	0.4	0.9
Food	6.5	4.9	1.3	1.3	-0.8	2.2	1.5
Wholesale price index ^c	9.3	1.4	-4.5	2.1	-1.1	-17.9	3.7
Imported products	7.4	-0.7	-4.3	2.1	-1.8	-19.8	8.8
Domestic products							
Agricultural	6.4	4.3	2.4	14.5	-3.8	5.2	-0.5
Manufactured	11.2	2.7	-5.7	-0.1	0.1	-20.9	1.1
Variation between annual averages							
Consumer price index ^b	7.3	4.2	2.1	1.6	1.1	-0.1	1.0
Food	9.2	5.9	2.3	1.5	0.3	0.4	2.5
Wholesale price index ^c	13.1	2.3	-3.8	1.1	-0.4	-16.0	1.4
Imported products	13.0	0.9	-5.2	1.9	-1.5	-22.6	12.5
Domestic products							
Agricultural	7.9	3.1	2.1	13.2	2.6	4.1	0.3
Manufactured	14.1	3.3	-3.9	-1.6	-	-15.1	-5.8

Source: ECLAC, on the basis of figures provided by the Comptroller-General of the Republic, Statistics and Census Office.

^aPreliminary figures. ^bIn Panama City. ^cNationwide.

Table 20
PANAMA: WAGES

	1981	1982	1983	1984	1985	1986	1987 ^a
Balboas per year							
Average salaries and wages (by sector and region)							
Country							
Public sector	4 107	4 296	4 700	4 858	5 096	5 134	5 254
Canal Zone	12 687	15 260	15 390	15 884	16 590	17 782	19 116
Colón Free Zone	...	...	...	3 092	3 187	3 781	4 123
Banana-producing areas (and Puerto Armuelles)	4 334	4 080	4 247	4 353	4 481	4 651	4 818
District of Panama and San Miguelito							
Commercial enterprises							
(wholesale and retail)	4 849	5 010	5 277	5 328	5 450	5 469	5 495
International banking centre ^b	7 018	7 575	8 519	8 778 ^c	9 037	9 279	9 557
Manufacturing	4 240	4 548	4 695	4 968	5 049	5 177	5 301
Minimum wages and/or salaries							
Panama City	1 900	1 900	2 246 ^d	2 246	2 246	2 246	2 246
Rest of country	1 440	1 440	1 699 ^d	1 699	1 699	1 699	1 699
Growth rates							
Nominal							
Average salaries and wages (by sector and region)							
Country							
Public sector	4.9	4.6	9.4	3.4	4.9	0.7	2.3
Canal Zone	2.0	20.3	0.9	3.2	4.4	7.2	7.5
Banana-producing areas (and Puerto Armuelles)	7.8	-5.9	4.1	2.5	2.9	3.8	3.6
District of Panama and San Miguelito							
Commercial enterprises							
(wholesale and retail)	5.9	3.3	5.3	1.0	2.3	0.3	0.5
International banking centre ^b	5.9	7.9	12.5	3.0	3.0	2.7	3.0
Manufacturing	5.9	7.3	3.2	5.8	1.6	2.5	2.4
Minimum wages and/or salaries							
Panama City	-	-	18.2 ^d	-	-	-	-
Rest of country	-	-	18.0 ^d	-	-	-	-
Real^e							
Commercial enterprises (Panama City)	-1.4	-0.9	3.1	-0.6	1.2	0.4	-0.5
International banking centre ^b	-1.4	3.6	10.1	1.4	1.9	2.7	2.0
Manufacturing (Panama City)	-1.4	2.9	1.1	4.2	0.6	2.6	1.4
Minimum wage (Panama City)	-6.8	-4.0	15.8	-1.6	-1.0	0.1	-1.0

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Welfare, Employment Office; Comptroller-General of the Republic, Statistics and Census Office; and the National Banking Commission.

^aPreliminary figures. ^bExcludes the salaries of foreign employees. ^cEstimated by ECLAC due to lack of data. ^dAs from February. ^eDeflated by the consumer price index for Panama City.

Table 21

PANAMA: COMPOSITION OF THE INTERNATIONAL BANKING CENTRE^a

	1983	1984	1985	1986	1987 ^b
Number of banks					
Total	125	120	120	115	119
Official	2	2	2	2	2
Under general licence^c	68	68	67	67	70
Panamanian	14	16	...	...	17
Under international licence^d	43	39	38	33	32
Panamanian	...	1	...	...	...
Field offices^e	12	11	13	13	15
Millions of balboas					
Total assets of the International banking centre	42 786	37 988	38 970	40 351	31 413
Assets of the national banking system	30 102	27 827	28 293	30 918	22 177
Panamanian banks	...	...	3 118	3 776	3 568
Official	1 591	...	1 823	2 077	1 879
Private	...	...	1 295	1 699	1 689
Foreign banks	...	...	25 175	27 142	18 609

Source: ECLAC, on the basis of figures supplied by the National Banking Commission and the Banco Nacional de Panamá.

^aAs of December of each year.

^bPreliminary figures.

^cForeign and domestic banks authorized to carry out banking operations both in Panama and abroad.

^dForeign and domestic banks whose offices in Panama are only authorized to carry out foreign banking operations.

^eForeign banks which are only authorized to establish field offices in Panama.

Table 22

PANAMA: CONSOLIDATED BALANCE OF THE NATIONAL BANKING SYSTEM^a

	Year-end balances (millions of balboas)					Growth rates			
	1983	1984	1985	1986	1987 ^b	1984	1985	1986	1987 ^b
Assets	30 101	27 828	28 292	30 918	22 177	-7.6	1.7	9.3	-28.3
Liquid	9 057	7 941	8 482	9 852	6 864	-12.3	6.8	16.2	-30.3
Cash	209	215	249	202	249	2.9	15.8	-18.9	23.3
Other liquid assets (bank deposits)	8 848	7 726	8 233	9 650	6 615	-12.7	6.6	17.2	-31.5
Domestic	1 150	1 050	1 115	1 249	928	-8.7	6.2	12.0	-25.7
External	7 698	6 676	7 118	8 401	5 687	-13.3	6.6	18.0	-32.3
Demand deposits	675	533	707	725	737	-21.0	32.6	2.5	1.7
Time deposits	8 173	7 193	6 761	8 925	5 878	-12.0	-6.0	32.0	-34.1
Investment	19 541	18 182	18 349	19 494	14 144	-7.0	0.9	6.2	-27.4
Loan portfolio	18 367	17 029	17 198	17 235	11 733	-7.3	1.0	0.2	-31.9
Domestic sector	3 533	3 764	3 923	4 189	4 363	6.5	4.2	6.8	4.2
External sector	14 834	13 265	13 275	13 046	7 370	-10.6	0.1	-1.7	-43.5
Securities	1 174	1 153	1 151	2 259	2 411	-1.8	-0.2	96.3	6.7
Other assets	1 503	1 705	1 461	1 572	1 169	13.4	-14.3	7.6	-25.6
Liabilities and capital^c	28 989	26 839	27 100	29 695	21 289	-7.4	1.0	9.6	-28.3
Demand deposits	1 225	1 517	1 480	1 955	1 738	23.8	-2.4	32.1	-11.1
Private	366	384	414	458	448	4.9	7.8	10.6	-2.2
Official entities	244	205	223	265	260	-16.0	8.8	18.8	-1.9
Foreign individuals	273	307	322	458	459	12.5	4.9	42.2	0.2
Foreign banks	342	621	521	774	571	81.6	-16.1	48.6	-26.2
Time and savings deposits	23 721	21 305	21 652	23 487	15 453	-10.2	1.6	8.5	-34.2
Private	1 640	1 794	1 882	2 329	2 154	9.4	4.9	23.8	-7.5
Foreign individuals	4 024	4 366	4 871	5 660	4 232	8.5	11.6	16.2	-25.2
Foreign banks	18 057	15 145	14 899	15 498	9 067	-16.1	-1.6	4.0	-41.5
Liabilities	1 006	1 217	1 070	1 051	1 104	21.0	-12.1	-1.8	5.0
Other liabilities, capital and reserves	3 037	2 800	2 898	3 202	2 994	-7.8	3.5	10.5	-6.5

Source: ECLAC, on the basis of figures supplied by the National Banking Commission and the Comptroller-General of the Republic, Statistics and Census Office.

^aRefers to all banks operating under general licence in the country.

^bPreliminary figures.

^cExcludes operations among local banks.

Table 23

**PANAMA: CREDIT GRANTED BY THE NATIONAL BANKING SYSTEM,
BY ECONOMIC ACTIVITY**

	1981	1982	1983	1984	1985	1986	1987 ^a
	Millions of balboas						
Total	29 135	28 626	24 061	15 172	14 347	17 185	16 185
Domestic	4 811	5 187	4 658	6 042	6 489	7 166	7 503
Public sector	490	640	551	1 804	2 091	2 251	2 216
Private sector	4 321	4 547	4 107	4 238	4 398	4 915	5 287
Agriculture	111	159	155	158	147	148	133
Stock raising	106	102	78	94	67	71	63
Fishing	26	10	16	29	11	16	25
Commerce	2 721	2 936	2 393	2 466	2 680	2 897	3 248
Industry	644	594	585	561	539	525	571
Housing	212	188	188	356	391	517	421
Other construction	181	199	192	161	117	130	160
Personal consumption	197	244	346	294	323	459	330
Non-profit organizations	1	3	6	8	4	1	1
Other (by differential)	122	112	148	111	119	151	335
External	24 324	23 439	19 403	9 130	7 858	10 019	8 682
	Growth rates						
Total	34.4	-1.7	-15.9	-36.9	-5.4	19.8	-5.8
Domestic	31.6	7.8	-10.2	29.7	7.4	10.4	4.7
Public sector	45.4	30.6	-13.9	227.4	15.9	7.7	-1.6
Private sector	30.2	5.2	-9.7	3.2	3.8	11.8	7.6
Agriculture	13.3	43.2	-2.5	1.9	-7.0	0.7	-10.1
Stock raising	41.3	-3.8	-23.5	20.5	-28.7	6.0	-11.3
Fishing	136.4	-61.5	60.0	81.3	-62.1	45.5	56.3
Commerce	36.9	7.9	-18.5	3.1	8.7	8.1	12.1
Industry	20.8	-7.8	-1.5	-4.1	-3.9	-2.6	8.8
Housing	-9.0	-11.3	-	89.4	9.8	32.2	-18.6
Other construction	39.2	9.9	-3.5	-16.1	-27.3	11.1	23.1
Personal consumption	27.1	23.9	41.8	-15.0	9.9	42.1	-28.1
Non-profit organizations	-	200.0	100.0	33.3	-50.0	-75.0	-
Other (by differential)	27.1	-8.2	32.1	-25.0	7.2	26.9	121.9
External	34.9	-3.6	-17.2	-52.9	-13.9	27.5	-13.3

Source: ECLAC, on the basis of figures supplied by the National Banking Commission and from reports of the Banco Nacional de Panamá.

^aPreliminary figures.

Table 24

PANAMA: SHORT-TERM BANK INTEREST RATES^a

	1982	1983	1984	1985	1986	1987 ^b	1987 (quarters) ^b			
							I	II	III	IV
Nominal										
Deposits^c										
Prime rate										
(New York)	14.47	10.75	12.05	9.88	8.25	8.21	7.50	8.08	8.42	8.83
LIBOR (London)										
90-day rate	12.93	9.81	10.83	8.43	6.82	7.20	6.44	7.23	7.25	7.88
Loans^d										
Agricultural and fishery loans ^e	14.89	10.35	10.60	11.05	10.90	...	9.22	9.40	9.50	...
Commercial loans	16.37	12.79	13.60	12.18	10.73	...	10.11	10.09	10.84	...
Industrial loans	16.15	12.60	13.84	12.73	10.81	...	10.60	10.62	10.89	...
Housing loans ^f	14.54	12.42	12.69	11.64	10.98	...	10.34	10.23	10.06	...
Consumer loans	16.22	12.71	13.25	11.80	10.30	...	10.29	10.39	10.47	...
Maximum local market reference rate (LMRR)	16.52	12.83	13.73	13.25	12.00	12.00	...	...	12.00	...

Source: ECLAC, on the basis of figures supplied by the National Banking Commission.

^a Average for the period. ^b Preliminary figures. ^c Average international rates applied in Panama, as registered by the National Banking Commission. ^d For loans under one year. ^e Under Law 20/80, the National Banking Commission set a discount for agricultural loans of between 3 and 4 points over the average reference rate, for which banks are compensated. ^f As of 1986, part of the interest is not charged to the borrower; the Ministry of Finance grants the bank in question a tax credit for this portion (Law 3, 20 May 1985).

Table 25

PANAMA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of balboas					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	903.1	913.5	985.7	1 041.1	1 093.8	1.2	7.9	5.6	5.1
Tax revenue	661.7	634.7	688.7	753.4	789.7	-4.1	8.5	9.4	4.8
Direct	366.9	321.4	362.5	385.1	402.0	-12.4	12.8	6.2	4.4
Indirect	294.8	313.3	326.2	368.3	387.7	6.3	4.1	12.9	5.3
On foreign trade	115.0	121.1	129.7	154.1	147.8	5.3	7.1	18.8	-4.1
Non-tax income	241.4	278.8	297.0	287.7	304.1	15.5	6.5	-3.1	5.7
2. Current expenditure	1 012.6	1 070.9	1 070.7	1 182.0	1 196.2	5.8	...	10.4	1.2
Wages	355.8	401.7	432.2	437.0	460.2	12.9	7.6	1.1	5.3
Operational and administrative expenditures	246.0	254.3	207.6	270.7	278.4	3.4	-18.4	30.4	2.8
Current transfers	111.8	102.0	107.5	111.7	137.6	-8.8	5.4	3.9	23.2
Debt interest and expenses	299.0	312.9	323.4	362.6	320.0	4.6	3.4	12.1	-11.7
3. Current savings (1-2)	-109.5	-157.4	-85.0	-140.9	-102.4				
4. Capital expenditure	168.9	192.2	108.1	104.8	71.6	13.8	-43.8	-3.1	-31.7
Real investment	102.3	121.1	75.5	76.8	49.4	18.4	-37.7	1.7	-35.7
Financial investment	11.7	19.6	20.0	13.6	12.4	67.5	2.0	-32.0	-8.8
Capital transfers	54.9	51.5	12.6	14.4	9.8	-6.2	-75.5	14.3	-31.9
5. Total expenditure (2+4)	1 131.5	1 263.1	1 178.8	1 286.8	1 267.8	6.9	-6.7	9.2	-1.5
6. Fiscal surplus (1-5)	-278.4	-349.6	-193.1	-245.7	-174.0				
7. Financing of deficit									
Domestic financing									
Credit received	98.7	100.7	88.5	110.2	135.2	2.0	-12.1	24.5	22.7
Bond sales	3.5	10.3	0.5	0.5	18.2	194.3	-95.1	...	3 540.0
External financing									
Credit received	132.9	165.7	95.3	91.9	65.1	24.7	-42.5	-3.6	-29.2
Other sources ^b	53.3	72.9	8.8	43.7	-44.5				
(Debt amortization) ^c	(188.4)	(230.3)	(186.7)	(476.8)	(633.5)	22.2	-18.9	155.4	32.9
Ratios (percentages)									
Fiscal deficit/total expenditure	23.6	27.7	16.4	19.1	13.7				
Tax revenue/GDP	15.1	13.9	14.1	14.7	14.7				
Total expenditure/GDP	27.0	27.7	24.1	25.1	23.7				
Fiscal deficit/GDP	4.3	5.0	3.8	4.8	3.3				

Source: ECLAC, on the basis of figures supplied by the Comptroller-General of the Republic, Statistics and Census Office and Accounting Office.

^aPreliminary figures. ^bIncludes cash balances of banks and the difference between the recorded deficit and the financing obtained. ^cNormally financed by credit roll-overs, except in 1987.

PARAGUAY

1. Recent economic trends: Introduction and summary

The Paraguayan economy grew moderately during 1987, but with simultaneously accelerating inflation. External and non-financial public sector imbalances, however, remained at similar levels to the year before. This was made possible by implicit subsidies in the prevailing system of multiple exchange rates, especially for public sector imports. In addition, monetary policy became much more expansive (see table 1 and figure 1).

External trade opened up significantly. In 1987 the openness coefficient, as measured by the ratio (in constant prices) between the product and the sum of exports and imports, reached 60% (compared to 34% in 1980). This indicator gained nine points on product over the previous year as a result of an export volume increase of 34% and a rise in import volume of 19%. These figures included estimates of unregistered trade, which is generally similar in amount to legal trade.

Weather conditions, which the previous year had been determining factors in the stagnation of the Paraguayan economy, returned to normal, leading to the recovery of the crop-farming harvest volume, especially in export products. The general spread of this positive effect over the rest of the economy resulted in a 4.5% increase in the gross domestic product, signifying a 1.5% rise in the per capita product, whose level still remained lower than in 1980. The simultaneous improvement in international cotton and soya prices, short-term capital receipts and receipts for the Yacyretá project made it possible to finance the persistent current account deficit without having to resort again to international reserves. The further increase in imports consolidated a global supply structure which included many more imports (in 1987 they represented one-third of the product), making the Paraguayan economy more flexible but at the same time more sensitive to external market fluctuations.

At the beginning of the year, price differentials encouraged contraband from Argentina and Brazil into Paraguay, slowing down the rate of inflation. Later, price adjustment policies were applied in both neighbouring countries, and the improved real exchange rate reversed this situation in the second half of the year. The December 1986 increase in the exchange rate for importing inputs and the strong growth of money issue helped raise the general level of consumer prices by 32% during the year, the highest figure since 1980.

In spite of higher prices, real wages generally increased, largely recovering the purchasing power lost the previous year. This was particularly noticeable in the construction and services sectors.

Economic growth brought with it a decrease in open unemployment, although disguised unemployment continued a significant part of employment figures. Likewise, the great gap between unemployment in the capital (6%) and unemployment estimated for the whole country (12%) remained. Although the economic policy was more flexible than the previous year, correcting the external and domestic financial imbalances was not given priority. The non-financial public sector deficit thus remained at around 2% of product, while money issue soared to the highest rate of the decade, mainly as a result of the exchange rate differentials which concealed a number of support subsidies for the rest of the non-financial public sector and the private sector.

2. Trends in economic activity

The total supply of goods and services expanded by almost 8% as a result of the 4.5% growth in the gross domestic product—following the recovery of the crop-farming sector and its repercussions on the industrial sector—and also, as a result of the fast and steady rate of variation of imports which increased in volume for the fourth consecutive year, nearly doubling since the beginning of this decade (see table 2).

Figure 1
PARAGUAY: MAIN ECONOMIC INDICATORS

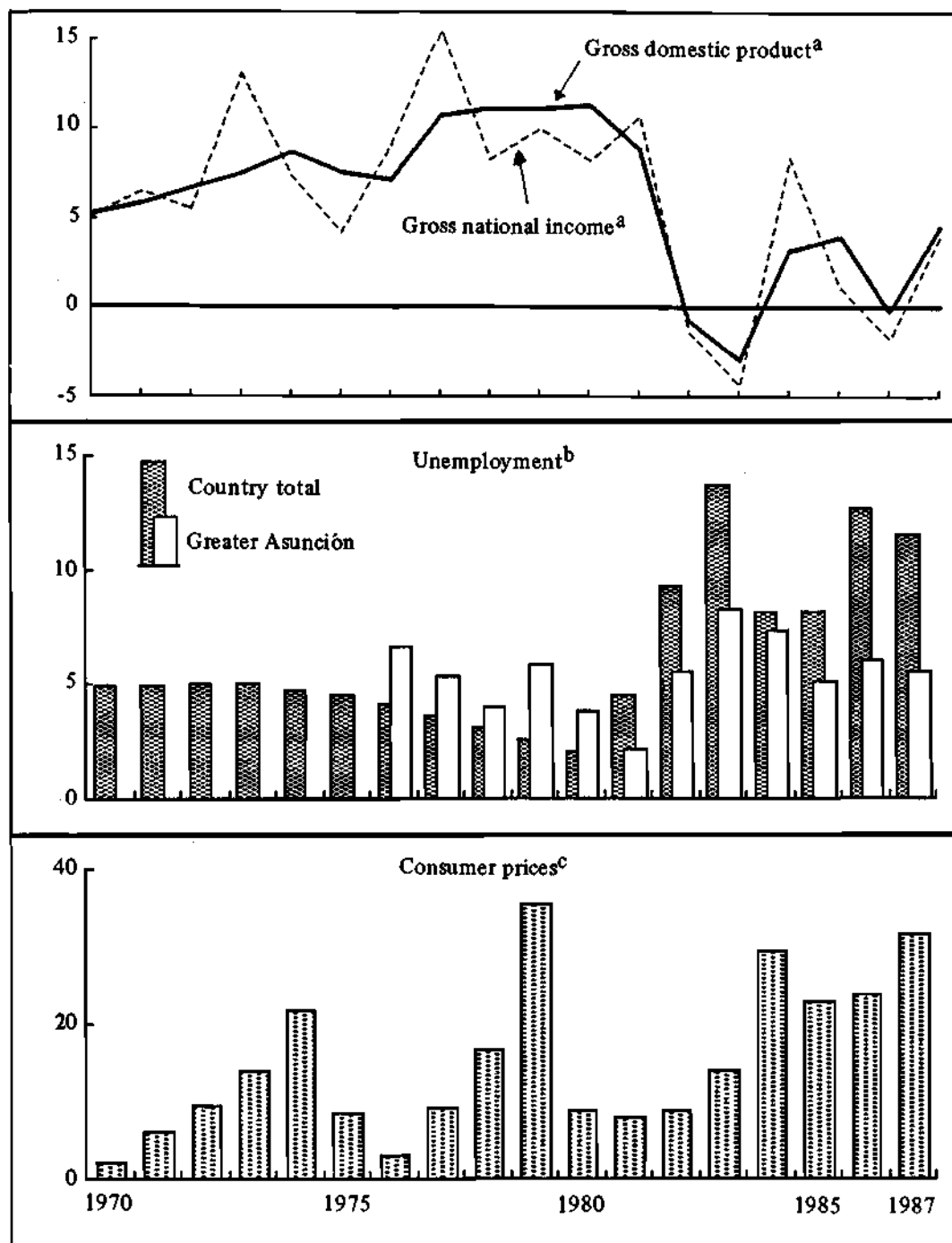
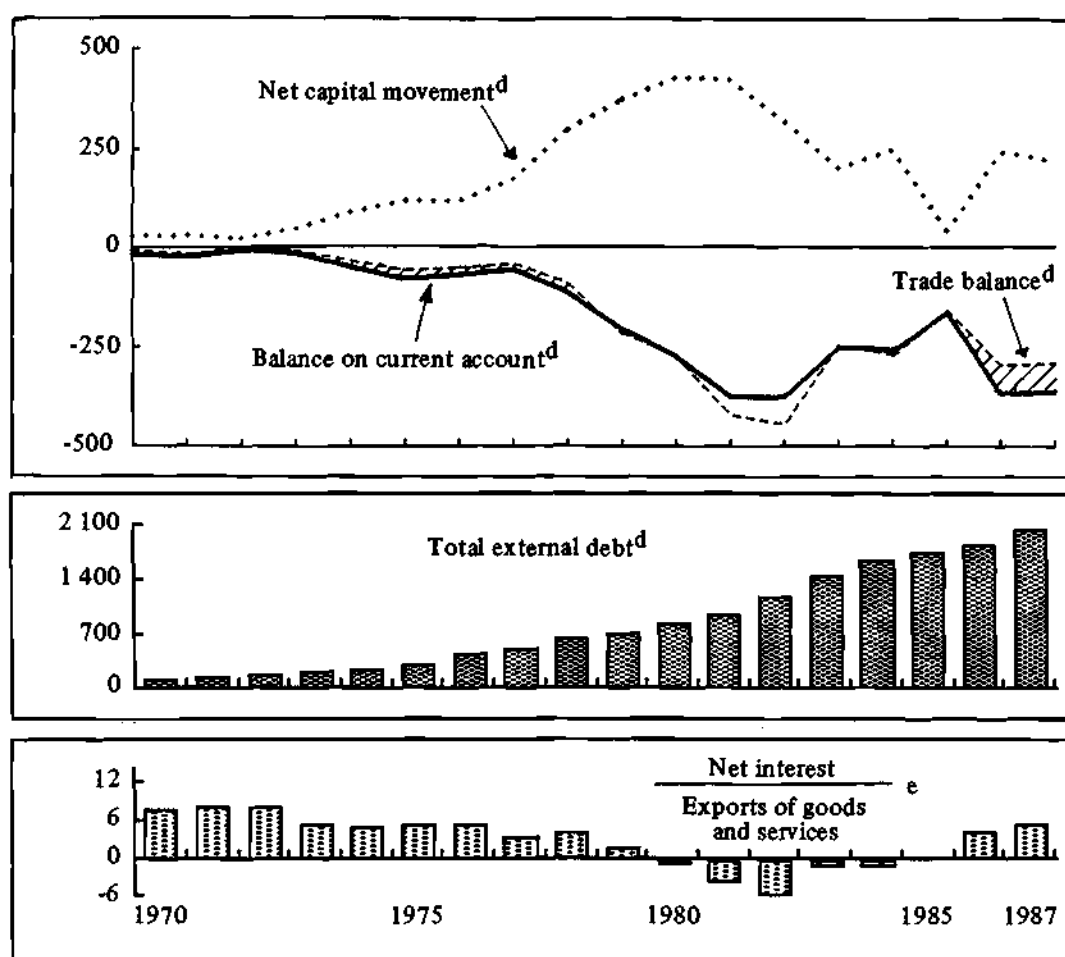


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage annual rate.

^cDecember-December percentage.

^dMillions of dollars.

^ePercentages.

Total demand grew, mainly as a result of the rise in exports of almost 34% in constant values. This was based on the recovery of external agricultural sales, especially of soya. Export volume in 1987 more than doubled the 1980 volume.

The buoyancy of domestic demand, which increased 3%, was based on the marked rise in public expenditure, since private consumption grew only moderately, and there was a scant increment in fixed capital formation. Investment has declined in recent years as a result of the completion of the Itaipú dam project and the slow progress of the Yacyretá project. State investment thus remained practically the same as in the previous year, while private investment showed a slight recovery after its negative rates in the previous five years.

An augmentation of more than 5% in goods production (see table 3) led to the recovery of production in general. A significant factor in this recovery was agricultural performance, which grew by 7% as normal weather conditions returned, and the production level that prevailed before the 1986 drought was restored. The production of maize, rice, and soya also showed extraordinary expansion (see table 4).

A reduction of 5% in the area planted with soya was more than offset by the greater productivity that resulted from the introduction of short-cycle varieties. The higher valuation of

exports¹ as from the end of 1986 and the low international prices prevailing at the beginning of the harvest made it difficult to establish a minimum producer price; the valuation was therefore reduced in March, and prices were deregulated. Nevertheless, a sharp drop in domestic prices in real terms severely cut the producers' profit margin (see table 5). Soya production increased by 67% in physical volume and, since almost the entire production is for export, it became the top registered export product, although the improvement in average annual international prices was very slight.

The pronounced drop of 22% in cotton production was due to a 25% reduction in the area cultivated and harvested, since the low international prices prevailing during the sowing season had an impact on decisions as to whether to plant or not. Moreover, besides the well-known marketing problems (middlemen and transport) which affect producer returns, unfavourable weather conditions at harvest time brought down per hectare yields to an even lower point than in 1986. Crop preparation for the 1988-1989 harvest was encouraged by the better international prices prevailing in the third quarter of 1987 and by the granting of credit for buying seeds, which could result in the unprecedented sowing of approximately 400 000 hectares.

Wheat production also significantly increased because more area was cultivated and productivity improved, continuing the self-sufficiency achieved in 1986. This was influenced by the setting of a favourable producer price, but marketing was hampered by contraband, and some inventory was therefore accumulated over most of the year.

In general, crop farming was favoured as in the previous year by a preferential exchange rate for importing inputs, and a negative real interest rate, although the volume of agricultural credit, which the year before had been used to counteract the effects of the drought, declined in real terms. The preferential exchange rate somewhat offset the drop in real producer prices for the main agricultural crops, except in the case of cotton whose international price at harvest time was relatively higher.

The livestock industry once again began to grow slightly, continuing the trend of the past four years, in spite of the drop in Brazilian demand. The incipient opening towards new markets and credit support, mainly from the commercial banks, sustained its growth.

Logging remained just as buoyant as in the previous two years.

Industrial production was stimulated by the agricultural recovery and the consequent reactivation of industrial processing of agricultural products. Underused installed capacity and greater credit support from the financial system facilitated this reactivation. It was balanced by an increase in domestic consumption capacity and, in the second half of the year, by a decrease in competition from products imported from Argentina and Brazil, when the terms of trade with these countries were improved and legal and illegal trade flows were reversed.

As for the industrial subsectors, there was a notable recovery in wood-related industries—as a result of the increase in forestry production—and in petroleum refining, despite increased costs because of the need to replace imports from Argentina and Brazil with imports from Algeria and Venezuela. As for base metals, the State iron and steel enterprise ACEPAR went into production (see table 6).

Construction, without the stimulus of Itaipú and with the relatively slow progress of Yacyretá, increased more slowly (2%) and depended basically on housing construction. Nevertheless, even this last activity was not dynamic enough to absorb the available resources of the Savings and Loan System for Housing, and the System was therefore authorized to carry out commercial operations while channelling part of its liquidity towards other financial entities.

Electric power generation continued to grow, and coverage was expanded as a result of the electricity supplied by Itaipú. This took demand pressure of the Acaray power station, making it possible to begin exporting to the Argentine province of Misiones (see table 7).

Owing to production recovery, the unemployment rate for the whole country dropped to 11.6% after registering the second highest level of the decade the year before. At the same time, open unemployment in greater Asunción also declined, falling to 5.6%. Nevertheless, the high level of underemployment persisted, hidden in unregistered commercial activities (see table 8).

¹The estimated value determines the amount of foreign funds for exports accepted by the Central Bank at the official exchange rate. If the estimated value is less than the international price received, the remaining funds are traded in the free market.

3. The external sector

The favourable trend in volume and unit value of goods exports resulted in a substantial increase in export purchasing power. Terms of trade for goods showed an increase, but it was more than cancelled out by the reduction in services, so that total terms of trade deteriorated (see table 1 and table 9).

Exporters made profits as a result of the multiple exchange rates and the system for valuing export products. Nevertheless, problems of price distortion and domestic profitability remained, and illegal trade was as pervasive as ever.

The exchange rate structure established in December 1986 continued throughout the year with one adjustment, programmed from the beginning, corresponding to reimbursement of the public debt. In July, this rate went up from 240 to 320 guaraníes per dollar. The difference between the official exchange rate for goods exports and the parallel exchange rate continued at 32% from the end of 1986 to the end of 1987. This difference declined in average values for the year, however, from 79% in 1986 to 33% in 1987.

The lowering of estimated values and the increase in the parallel market dollar helped exporters to obtain a better effective exchange rate which in December for all exports was 46% higher than in December 1986, and hence greater than the increase in domestic prices. This, together with increasing exchange rates for European and Japanese currencies against the dollar, and with the increase in Paraguay's real exchange rate with Brazil, its principal trading partner, resulted in a substantial increase in real effective exchange rates (see table 10).

Except for agricultural input imports, which were set at 550 guaraníes per dollar, private sector imports were valued at the free market exchange rate at an average of 738 guaraníes per dollar throughout the year. Differential exchange rates for the public sector, however, averaged only 380 guaraníes, which resulted in an implied subsidy for government imports.

Export value recovered from the losses of the previous two years through greater exportable agricultural production, higher international prices and the favourable trend in official and parallel exchange rates. Exports of soya, which like other agricultural exports, had been hurt the previous year by the drought, reached historic levels, making soya the greatest source of foreign currency (more than a third of the total). It moved ahead of cotton, whose production was affected by the above-mentioned problems, which kept it from taking advantage of the better international prices at harvest time (see tables 11 and 12).

All the main export products showed increases in volume and price, except livestock products; in fact, frozen meat exports were seriously affected by the Brazilian prohibition on importing this product and, at the beginning of the year, by its high estimated value.

Registered imports rose only slightly, with foreign wheat purchases being virtually eliminated, while imports of greater volumes of fuel did not put additional pressure on the trade balance owing to the fall in the international price of petroleum (see table 13). Purchases from neighbouring countries—which are not fully included in the statistical registers—continued to represent a significant proportion of the goods acquired abroad. An estimate of unregistered trading suggests that the trade deficit in goods rose to US\$135 million (see table 14).

Income from tourism, an important item in the flow of foreign currency, fell by nearly 20% as a result of a substantial decrease in Brazilian and Argentinean tourism—which went down to almost half that of the previous year—although there was a rise in the number of tourists from other countries as well as in the average number of days they stayed (see table 15). This, as well as the growth of transport and insurance, caused a negative balance in non-factor services which, added to that of goods, left a trading deficit of US\$287 million.

Factor services represented a net expenditure of US\$75 million, similar to that of the previous year, since interest payments increased by 30% over 1986, offsetting the 24% reduction mentioned in the export of utilities, as well as additional income from other sources. Interest payments rapidly increased, basically on the public external debt and practically doubled in the past three years.

Rough estimates suggest that financial investment from abroad was greater than in 1986. Nevertheless, the net inflow of capital was less than in the previous year, because of an augmentation of almost 50% in public debt amortization payments and a decrease in loans received. Binational entities continued to collect external revenue, although in lesser amounts than in the first half of the

decade, because of the completion of the main civil construction works in Itaipú and the relative sluggishness of income for Yacyretá, although the latter was in any case higher than in the previous five years (see table 16).

Net income from debt declined, and there was even a brief suspension of loan disbursement by the World Bank and the Inter-American Development Bank, which was lifted only when the government raised the exchange rate for these disbursements.

The total balance on capital account showed an increase of US\$370 million; thus international reserves grew for the first time after five years of continuing deterioration, and their level at the end of the year was equivalent to four and a half months of goods and services imports.

As in the previous year, less external debt was contracted in absolute terms as part of a policy to reduce this form of debt. Even so, there was an effective increase of US\$67 million in the balance of the external debt which, if the revaluation of balances expressed in currencies other than the dollar is taken into account, was as high as US\$188 million (see table 17).

At the same time, efforts continued to renegotiate the debt with Brazil, Paraguay's greatest foreign creditor. The ultimate purpose was to reschedule the debt of some public enterprises and other loans such as that of the Hospital Plan. Meanwhile, some State corporations with heavy financial loads appear to have continued delaying payments.

As from 1984, debt servicing related to non-factor goods and services exports has steadily augmented, registering 28% in 1987 (see table 18).

4. Prices and wages

The rise in the December-to-December consumer price index was the biggest of the decade. Except for the first two months, the growth rate during the first half of the year was relatively moderate in spite of increases in fuel prices, public utility rates and the January wage adjustment. Price increases also resulted from the expansive monetary policy, which caused the parallel exchange rate to go up between April and May, although the upward pressure on prices was partially offset by contraband products from Argentina and Brazil. Thus, the 12-month price rise was only 19% by June.

In the second half of the year, the even faster growth in liquidity caused another significant jump in the parallel exchange rate from September to October, to which was added an outflow of Paraguayan products to neighbouring countries as a result of economic adjustments in these countries and of the new rise in wages and commodity prices in October. Consequently, the increase in food prices accelerated, and the consumer price index shot up rapidly, showing a growth of 32% for the year (see table 19 and figure 2).

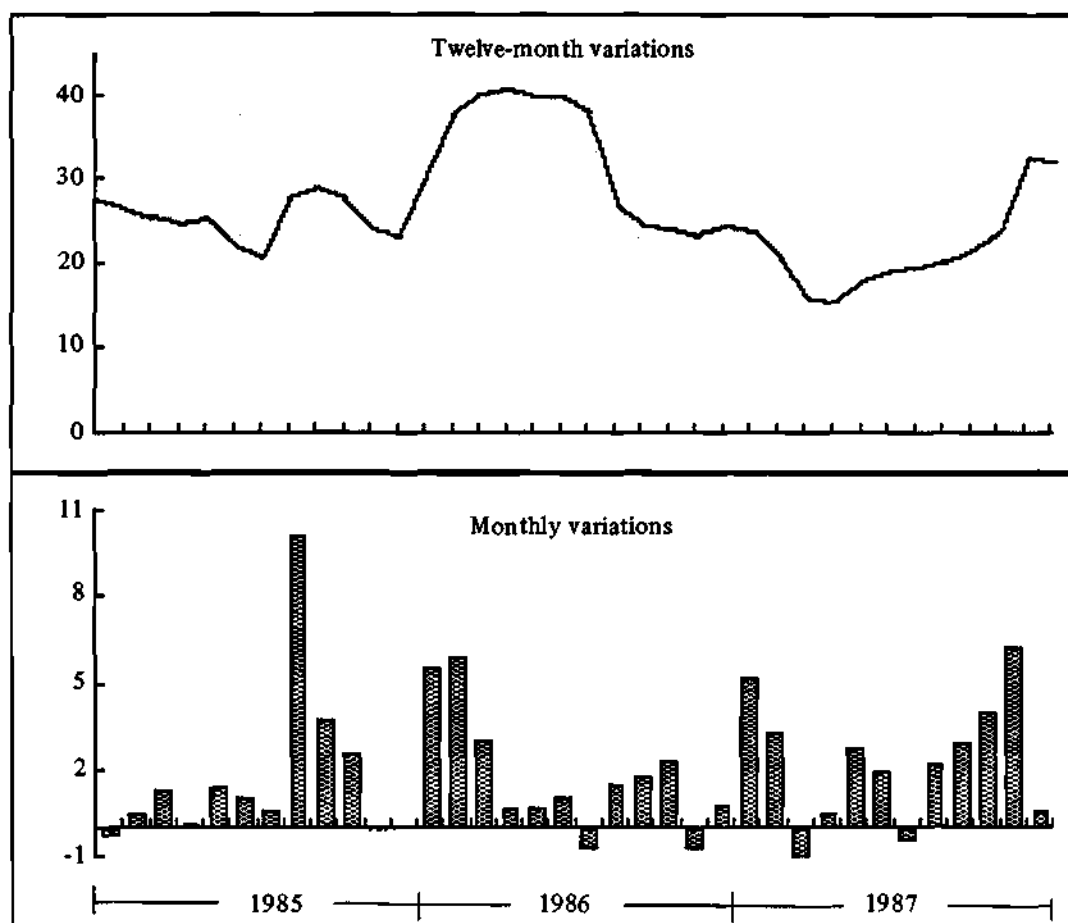
The high rate of inflation did not prevent an increase in average real wages through wage adjustments in January and October; they rose by 12% overall, with sectoral variations, after four years of continued contraction. Nevertheless, the average wage in agriculture, transport and manufacturing remained lower than in 1980 (see table 20).

In trade, services and construction wages showed greater real increases, although during the years of wage recession they had been the least affected; thus, in these sectors real wages rose between 1980 and 1987. The legal minimum wage went up in real terms for the third consecutive year, but its direct impact was marginal, because it is hardly ever applied.

5. Fiscal and monetary policy

There were no significant changes in fiscal and monetary policy, and imbalances persisted in both central government and State enterprise accounts. Tax receipts by the central government increased slightly to 8.1% allowing for coverage on the books of total spending which created an apparent surplus of 0.7% in the gross domestic product (see table 21). This formal situation implied a scant income tax burden of only 7% while more than two-thirds of revenue came from indirect taxes and a complex tax structure that allowed for a high degree of evasion; as for spending, there was a low level of capital formation—it reached about one percentage point of the product—and a high Central Bank subsidy through preferential exchange rates for imports and for external debt servicing.

Figure 2
PARAGUAY: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

In particular, interest payments, the central government outlay which expanded the most, would have been even higher without the preferential exchange rate granted by the Central Bank. The total exchange rate subsidy received by the central government for external purchases and debt payments has been estimated at 1.4% of the product.

The situation of public enterprises was not very different since, although there was a slight recovery of accumulated arrears in prices and rates, increases in operating costs and financial burdens, above all the foreign debt of the steel and cement plants, suggest that the deficit of the previous year, which amounted to 2.2% of the product, will continue. Unlike the central government, where there was a slight increase in net external debt, public enterprises made a net repayment of their debt, as well as increasing payments on previous arrears. Meeting external obligations and importing what was necessary for their operation meant an exchange rate subsidy of about 1.8% of the product. The import subsidy for the whole of the non-financial public sector can be estimated, then, as slightly over 3% of the product (see table 22).

As a corollary of these results, effective net domestic credit, including that related to exchange rate effects, became the main factor in the expansion of the monetary base, which grew by 43%.

Apart from the issue derived from the increase in net international reserves, it should be noted that direct net credit to public enterprises went up by 78% (see tables 23 and 24).

This increase in the issue of notes and coins meant a growth of 37% in liquidity in national currency (M_2). Reserves were augmented during the year as a means of reducing the excess liquidity in the money market. There was also a reduction in the maximum limit of public enterprise deposits that private banks were allowed to receive before 100% of the excess over this limit was frozen (see table 25).

The increase in liquidity also produced a temporary drop in the interbank interest rate which determines the free exchange rate, since the nominal interest rate remained fixed in spite of accelerating inflation, thereby depressing real savings levels.

Public sector credit demands, both directly and through exchange rate subsidies, contrasted with a reduction in Central Bank nominal credit to the banking sector (see table 24). Financial assistance to agriculture, trade and exports dropped in real values, while loans to the manufacturing, industrial and construction sectors, showed a real increase (see table 26).

Table 1

PARAGUAY: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	108.8	107.9	104.7	108.1	112.5	112.1	117.2
Gross national income	110.7	109.1	104.2	112.9	114.1	112.0	116.5
Population (millions of inhabitants)	3.27	3.37	3.47	3.58	3.69	3.81	3.92
Per capita gross domestic product	105.4	101.2	95.1	95.1	95.9	92.8	94.1
Growth rates							
B. Short-run economic indicators							
Gross domestic product	8.8	-0.8	-3.0	3.2	4.0	-0.3	4.5
Per capita gross domestic product	5.4	-3.9	-6.0	0.1	0.9	-3.2	1.5
Gross national income	10.7	-1.4	-4.4	8.4	1.1	-1.8	4.0
Unemployment rate ^{b,c}	2.2	5.6	8.4	7.4	5.2	6.1	5.6
Consumer prices							
December to December	8.1	8.9	14.1	29.8	23.1	24.1	32.0
Variation between annual averages	14.0	6.8	13.5	20.3	25.2	31.7	21.8
Real salaries and wages ^d	5.3	-2.7	-7.1	-3.5	-2.1	-4.4	12.3
Money (M ₁)	0.1	-3.9	26.4	29.6	28.0	26.5	46.9
Current income of government	14.9	15.0	-3.8	30.2	29.3	29.8	41.5
Total expenditure of government	14.5	22.2	14.4	19.1	37.6	-	42.4
Global balance/total expenditure of central government ^b	-25.1	-14.4	-35.2	-10.9	-16.3	8.0	2.4
Global balance of central government/GDP ^b	-2.6	-1.7	-4.3	-1.0	-1.5	0.6	0.2
Global balance of non-financial public sector/GDP ^b	-2.6	-2.4	-7.2	-4.4	-2.1	-1.4	...
Current value of exports of goods and services	-1.8	11.2	-24.7	50.1	15.6	-1.7	33.3
Current value of imports of goods and services	16.1	8.7	-33.2	36.6	-0.6	12.9	23.4
Terms of trade (goods and services)	6.5	-9.1	-0.7	32.7	-15.6	1.3	-4.1
Millions of dollars							
C. External sector							
Trade balance (goods and services) ^e	-422	-445	-245	-272	-158	-296	-287
Factor services ^f	44	67	-8	10	-9	-74	-75
Balance on current account	-377	-378	-253	-262	-167	-369	-361
Balance on capital account	420	316	200	248	39	241	370
Variation in international reserves	44	-65	-56	-17	-135	-85	53
Gross external debt disbursed ^g	949	1 204	1 469	1 654	1 773	1 855	2 043

Source: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Percentages. ^c Annual average rate in Greater Asunción. ^d Real wages of workers in Greater Asunción. ^e New series. The base figures for the former series (up to 1983) and the new series (from 1984) are not comparable.^f Includes unrequited private transfer payments. ^g Medium- and long-term public and State-guaranteed private debt.

Table 2

PARAGUAY: TOTAL SUPPLY AND DEMAND

	Indexes (1980=100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	117.8	120.9	130.2	120.3	133.6	11.6	4.2	2.6	7.7
Gross domestic product at market prices	112.5	112.1	117.2	100.0	100.0	3.2	4.0	-0.3	4.5
Imports of goods and services ^b	143.9	164.1	194.6	20.3	33.6	62.8	4.6	14.0	18.6
Total demand	117.8	120.9	130.2	120.3	133.6	11.6	4.2	2.6	7.7
Domestic demand	111.6	115.5	119.1	106.6	108.3	9.2	-1.1	3.5	3.1
Gross domestic investment	81.6	84.6	86.6	28.8	21.2	1.5	1.1	3.7	2.4
Gross fixed investment	80.0	82.5	83.8	27.2	19.5	0.9	0.3	3.1	1.6
Changes in stocks	109.8	122.4	136.8	1.5	1.8	...	...	...	...
Total consumption	122.7	126.9	131.1	77.9	87.1	11.2	-1.6	3.5	3.2
General government	123.3	126.0	138.6	6.2	7.3	-5.9	4.0	2.2	10.0
Private	122.6	127.0	130.4	71.7	79.7	12.8	-2.0	3.6	2.7
Exports of goods and services ^b	166.3	163.0	217.7	13.6	25.3	34.8	44.1	-2.0	33.6

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bThe figures for exports and imports of goods and services were taken from International Monetary Fund (IMF), balance-of-payments data expressed in dollars at current prices, which were converted to constant 1980 values, using price indexes calculated by ECLAC for the purpose.

Table 3

**PARAGUAY: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	112.5	112.1	117.2	100.0	100.0	3.2	4.0	-0.3	4.5
Goods	112.8	108.4	114.3	52.5	51.2	4.5	4.1	-3.9	5.4
Agriculture ^b	119.4	112.1	120.0	29.5	30.2	5.9	4.6	-6.1	7.0
Mining	115.1	128.9	136.6	0.4	0.5	1.0	4.5	12.0	6.0
Manufacturing	105.6	104.1	107.7	16.5	15.1	4.5	5.0	-1.4	3.5
Construction	100.0	101.0	103.0	6.1	5.4	-2.4	-1.0	1.0	2.0
Basic services	121.7	130.3	138.2	6.5	7.7	3.0	5.4	7.1	6.1
Electricity, gas and water	137.2	151.3	162.7	2.3	3.2	2.2	6.0	10.3	7.5
Transport, storage and communications	113.3	118.9	124.9	4.2	4.5	3.6	5.1	4.9	5.0
Other services	110.7	114.0	117.6	41.0	41.1	1.7	3.7	3.0	3.2
Commerce, restaurants and hotels	107.8	111.3	115.1	25.0	24.5	1.8	4.4	3.2	3.4
Financial institutions, insurance, real estate and business services	115.3	118.4	122.0	7.0	7.3	1.1	3.2	2.7	3.0
Ownership of dwellings	100.8	102.9	104.9	2.7	2.4	-	1.0	2.1	1.9
Community, social and personal services	115.1	118.0	121.0	9.0	9.3	2.0	2.4	2.5	2.5
Government services	131.9	134.6	137.3	3.4	4.0	2.4	3.0	2.0	2.0

Source: ECLAC, on the basis of official figures, reweighted according to the price structure in force in 1980. Consequently, the results obtained do not necessarily coincide with those published by the countries in their calculations at constant prices.

^a Preliminary figures.

^b Including livestock, forestry and fishing.

Table 4

PARAGUAY: INDICATORS OF AGRICULTURAL PRODUCTION

	Millions of guaraníes at 1982 prices				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total^b	197.0	206.0	193.5	207.0	5.9	4.6	-6.1	7.0
Crop farming	119.7	126.9	110.9	121.6	7.5	6.0	-12.4	9.6
Stock raising	57.8	59.4	60.6	62.1	4.1	1.6	2.0	2.5
Forestry	18.5	18.6	20.8	22.1	2.8	4.3	11.7	6.3
Thousands of tons								
Production of the main items								
Cotton	320	460	312	244	40.2	43.8	-32.2	-21.8
Rice	39	47	60	104	8.6	20.5	27.7	73.3
Sweet potatoes	205	211	189	113	-9.7	2.9	-10.4	-40.2
Sugar cane	2 541	2 330	2 100	3 170	-10.0	-8.3	-9.9	51.0
Maize	414	455	450	917	15.0	9.9	-1.1	103.8
Cassava	1 741	1 758	1 582	1 028	-9.9	1.0	-10.0	-35.0
Beans	47	51	36	19	-26.6	8.5	-29.4	-47.2
Soya	748	980	700	1 170	15.0	31.0	-28.6	67.1
Wheat	130	140	233	280	62.5	7.7	66.4	20.2
Bananas ^c	17	18	17	16	6.3	5.9	-5.6	-5.9
Coconuts	430	335	369	406	3.1	-22.1	10.1	10.0
Oranges ^d	1 363	1 431	1 360	1 291	-5.0	5.0	-5.0	-5.1
Pineapples ^d	24	25	26	27	4.3	4.2	4.0	3.8
Tung	147	161	145	130	5.0	9.5	-9.9	-10.3
Cattle ^e	531	539	550	564	-4.8	1.5	2.0	2.5
Pigs ^e	1 728	1 780	1 788	1 798	3.0	3.0	0.4	0.6
Poultry ^e	4 705	5 059	7 210	7 884	7.1	7.5	42.5	9.3
Round logs	1 745	1 742	2 095	2 197	1.3	-0.2	20.3	4.9
Firewood	2 808	2 884	2 911	2 977	2.3	2.7	0.9	2.3

Source: ECLAC, on the basis of data provided by the Central Bank of Paraguay and the Ministry of Agriculture.

^aPreliminary figures.

^bIncludes hunting and fishing.

^cThousands of bunches.

^dThousands of units.

^eThousands of head.

Table 5

**PARAGUAY: NOMINAL AND REAL PRODUCER PRICES
OF THE MAIN CROPS**

(1980 = 100)

	Rice	Cotton	Sweet potatoes	Maize	Cassava	Soya	Sugar cane	Coconuts	Wheat
Nominal prices^a									
1970	29.6	22.9	21.4	20.0	23.1	25.3	24.6	37.5	38.0
1979	103.7	84.7	85.7	96.0	76.9	136.8	82.3	100.0	92.9
1981	96.3	91.5	114.3	88.0	100.0	147.4	100.0	100.0	92.9
1982	118.5	79.7	100.0	88.0	76.9	131.6	100.0	175.0	125.0
1983	203.7	147.5	78.6	336.0	76.9	157.9	100.0	175.0	160.7
1984	211.1	208.5	135.7	260.0	107.8	321.1	122.3	275.0	182.1
1985	251.9	194.9	164.3	252.0	123.1	268.4	148.3	375.0	225.0
1986	311.0	245.8	271.4	1 056.0	261.5	452.6	226.4	350.0	285.7
I	370.0	228.8	228.6	732.0	192.3	421.1	150.9	300.0	-
II	351.9	254.2	250.0	920.0	207.7	468.4	201.2	350.0	228.6
III	285.2	254.2	285.7	1 292.0	253.8	447.4	226.4	350.0	264.3
IV	277.8	-	307.0	1 280.0	400.0	-	226.4	375.0	285.7
1987	288.9	437.9	223.2	603.3	216.7	409.2	300.0	447.9	327.3
I	277.8	347.5	237.9	387.6	269.2	357.9	240.0	375.0	320.0
II	259.3	463.3	166.7	546.7	174.4	426.3	320.0	500.0	320.0
III	253.1	542.4	202.4	813.3	179.5	-	320.0	500.0	333.3
IV	351.9	-	285.7	666.7	243.6	-	320.0	416.7	333.3
Real prices^{a,b}									
1970	101.4	78.4	73.3	68.4	79.1	86.6	84.2	28.4	30.1
1979	126.9	103.6	104.9	117.5	94.1	167.4	100.7	122.4	113.7
1981	84.4	80.3	100.3	77.2	87.7	129.3	87.7	87.7	81.5
1982	97.4	65.5	82.2	72.3	63.2	108.1	82.2	143.7	102.7
1983	146.4	106.8	56.9	243.3	55.7	114.3	72.4	126.7	116.4
1984	127.1	125.5	81.7	156.5	64.9	193.3	73.6	165.6	109.6
1985	121.1	93.7	79.0	121.2	59.2	129.0	71.3	180.3	108.2
1986	113.5	89.7	99.1	385.4	95.4	165.2	82.6	127.7	104.3
I	143.4	88.6	88.6	283.6	74.5	163.2	58.4	116.2	-
II	129.1	93.3	91.7	337.5	76.2	171.8	73.8	128.4	83.9
III	102.8	91.6	103.0	465.8	91.5	161.3	81.6	126.2	95.3
IV	96.5	-	106.6	444.6	138.9	-	78.6	130.3	99.2
1987	86.5	131.2	66.9	180.7	64.9	122.6	89.9	134.2	98.1
I	83.2	104.1	71.3	116.1	80.6	107.2	71.9	112.3	95.9
II	77.7	138.8	49.9	163.8	52.2	127.7	95.9	149.8	95.9
III	75.8	162.5	60.6	243.6	53.8	-	95.9	149.8	99.9
IV	105.4	-	85.6	199.7	73.0	-	95.9	124.8	99.9

Source: ECLAC, on the basis of data provided by the Ministry of Agriculture, Department of Agricultural Marketing and Economics, and the Central Bank of Paraguay.

^aThe annual averages may not coincide with the quarterly averages owing to differences in the frequency of the observations or errors in rounding. ^bCalculated by deflating the nominal prices by the consumer price index, the base year of which is 1980.

Table 6

PARAGUAY: INDICATORS OF MANUFACTURING PRODUCTION

	Indexes (1982 = 100)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total	101.1	105.1	103.6	107.2	5.5	4.0	-1.4	3.5
Foodstuffs	109.2	111.9	122.2	125.6	5.4	2.5	9.2	2.8
Beverages	110.2	112.5	113.4	117.6	11.8	2.1	0.8	3.7
Tobacco	119.2	121.4	109.7	153.7	-2.1	1.8	-9.6	40.1
Textiles	106.1	157.0	107.0	61.1	27.2	48.0	-31.8	-42.9
Clothing	112.4	128.6	105.8	116.5	17.2	14.4	-17.7	10.1
Footwear	106.1	100.8	103.8	111.4	3.0	-5.0	3.0	7.3
Wood, except furniture	92.0	83.1	85.1	95.3	-2.1	-9.7	2.4	12.0
Furniture	125.8	128.4	131.2	136.3	3.6	2.1	2.2	3.9
Paper and paper products	94.3	98.1	112.4	121.2	3.2	4.0	14.6	7.8
Printing and publishing	69.2	70.4	64.5	65.6	14.2	1.7	-8.4	1.7
Leather and skins, except footwear	78.9	70.8	90.2	92.9	-23.9	-10.3	27.4	3.0
Chemical industry	134.0	149.1	116.8	146.8	13.0	11.3	-21.7	25.7
Other chemical products	127.5	153.9	124.2	126.8	33.0	20.7	-19.3	2.1
Petroleum products	74.5	84.8	83.2	104.6	-22.5	13.8	-1.9	25.7
Plastic products	116.2	117.5	102.4	108.0	19.2	1.1	-12.9	5.5
Non-metallic mineral products	100.6	88.4	116.2	134.0	-6.6	-12.1	31.4	15.3
Iron and non-ferrous metals	116.4	123.3	124.0	294.7	16.6	5.9	0.6	137.7
Metallic products excluding machinery	113.1	128.4	114.9	118.2	15.6	13.5	-10.5	2.9
Machinery, electrical appliances and transport equipment	139.1	204.9	172.3	162.0	40.4	47.3	-15.9	-6.0
Other	124.6	139.7	117.4	120.8	23.2	12.1	-16.0	2.9
Handicrafts	88.0	96.0	81.4	...	9.7	9.1	-15.2	...
Production of some of the main manufactures (millions of tons)								
Cotton textiles	6.1	9.2	11.8	6.2	5.2	50.8	28.3	-47.5
Cotton fibres ^b	105.3	160.0	99.9	52.4	36.4	51.9	-37.6	-47.5
Tannin	11.2	10.9	5.7	13.9	-13.2	-2.7	-47.7	143.9
Husked coconuts	8.2	4.7	4.9	3.6	82.2	-42.7	4.3	-26.5
Tung oil	9.0	9.4	7.2	8.1	-47.1	4.4	-23.4	12.5
Cement	109.0	45.6	178.7	269.2	-28.8	-58.2	291.9	50.6
Cigarettes ^c	43.9	41.7	37.5	56.7	-5.8	-5.0	-10.1	51.2
Carbonated beverages ^d	137.3	138.7	124.8	129.2	12.4	1.0	-10.0	3.5
Wheat flour	89.9	99.5	107.8	115.4	-10.3	10.7	8.3	7.1
Sugar	85.2	73.1	68.7	104.2	-13.2	-14.2	-6.0	51.7
Leather	8.3	7.7	10.1	10.4	-24.5	-7.2	31.2	3.0
Absolute alcohol ^e	11.0	15.0	...	...	18.3	36.4	...	...

Source: ECLAC, on the basis of data provided by the Central Bank of Paraguay.

^a Preliminary figures.^b Thousands of metres.^c Thousands of packets.^d Thousands of litres.^e Millions of litres.

Table 7

**PARAGUAY: INDICATORS OF ELECTRIC POWER CAPACITY,
GENERATION AND CONSUMPTION**

	1970	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Installed potential ^b	123.7	272.5	274.1	274.1	274.1	274.4	274.4	274.4	274.4
Hydroelectricity	90.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0
Thermal plants	33.7	82.5	84.1	84.1	84.1	84.4	84.4	84.4	84.4
Electric power generation ^c									
Gross	159.2	697.4	720.4	916.0	793.0	1 056.0	1 259.2	1 642.6	1 736.0
Net	154.2	692.1	716.8	912.7	790.5	1 053.5	1 256.5	1 639.7	1 733.7
Net imports of electric power ^{c,d}	-	5.4	103.0	-40.0	202.0	34.3	-47.8	1.8	2.1
Domestic electric power supply ^c									
Gross	159.2	703.1	824.0	876.0	995.0	1 090.4	1 211.4	1 644.4	1 738.1
Net	154.2	697.5	819.8	872.6	992.5	1 087.7	1 208.8	1 641.5	1 735.8
Domestic electricity consumption ^c	129.8	658.0	751.7	800.6	827.2	907.3	999.9	1 110.0	1 275.9
Residential ^e	76.4	344.3	390.7	473.9	492.2	540.7	565.7	637.5	701.9
Industrial ^f	33.8	263.3	300.1	253.3	260.1	286.1	343.4	374.8	464.7
Other ^g	14.6	44.8	56.7	70.0	72.4	80.5	86.6	97.7	109.2
Percentage of population supplied with electricity	10.9	29.0	31.5	37.7	39.5	41.2	42.8	45.5	47.4

Source: National Electricity Administration (ANDE), *Compilación estadística 1960-1981*, Asunción, 1982, and other statistics also supplied by ANDE.

^aPreliminary figures. ^bThousands of kW. ^cMillions of kWh. ^dExcluding sales to Brazil of Paraguayan power from Itaipú. ^eIncludes "commercial" consumption (new category provided for in schedule of charges No. 4 of 1/8/1984). ^fIncludes "undefined" (new category provided for in schedule of charges No. 4 of 1/8/1984). ^gIncludes "government" and "municipal" consumption, "electricity for tramways", "public lighting", and, as from 1985, "rural consumption" (new categories provided for in schedule of charges No. 4 of 1/8/1984).

Table 8

PARAGUAY: OPEN UNEMPLOYMENT RATES

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Whole country ^b	2.1	4.6	9.4	13.8	8.3	8.3	12.8	11.6
Asunción ^c	3.9	2.2 ^d	5.6	8.4 ^e	7.4 ^f	5.2 ^g	6.1 ^h	5.6

Source: Based on data provided by the Central Bank of Paraguay and the Ministry of Finance, Department of Statistics and Censuses, *Encuesta de hogares*, (several issues), and information supplied to ECLAC.

^aPreliminary figures. ^bEstimates by the Central Bank of Paraguay. ^cIn addition to Asunción, includes Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo until 1982. As from 1983, includes, in addition to Asunción, the urban areas of San Lorenzo, Lambaré, Fernando de la Mora, and Villa Hayes and the urban and rural areas of Villa Lisa, San Antonio, Nénby, Luque, Limpio and Mariano Roque Alonso. ^dFirst half of year. ^eAverage for the months of September, October and November. ^fAverage for the months of August, September and October. ^gAverage for the months of November and December. ^hAverage for the months of June, July and August.

Table 9

PARAGUAY: MAIN EXTERNAL GOODS TRADE INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	-0.4	-0.6	-17.7	65.1	15.2	-7.6	39.5
Volume	-7.5	14.7	-9.7	30.5	45.1	-2.5	21.6
Unit value	7.6	-13.3	-8.9	26.5	-20.6	-5.2	14.7
Imports (FOB)							
Value	14.4	-7.9	-22.5	34.2	-1.7	1.2	27.0
Volume	13.3	-7.1	-18.2	69.5	5.6	8.7	20.6
Unit value	1.0	-0.9	-5.2	-20.8	-6.9	-6.9	5.3
Terms of trade	5.6	-12.9	-4.3	56.1	-15.0	-0.1	6.1
Indexes (1980 = 100)							
Purchasing power of exports	97.7	97.6	84.4	171.9	212.0	206.4	266.4
Volume of exports	92.5	106.1	95.8	125.1	181.4	176.8	215.1
Volume of imports	113.3	105.2	86.0	145.9	154.0	167.3	201.9
Terms of trade FOB/CIF	105.6	92.0	88.1	137.5	116.8	116.7	123.9

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 10

PARAGUAY: EXCHANGE RATES

Annual and quarterly averages	Exchange rates (guaraníes per dollar)			Indexes of the real effective exchange rate			
	Official		Parallel	Official ^c		Parallel ^d	
	Exports ^a	Imports ^b		Exports	Imports	Exports	Imports
1970-1979	126	126	139	110.6	106.4	109.3 ^e	113.2 ^e
1980	126	126	135	100.0	100.0	100.0	100.0
1981	126	126	153	86.5	89.9	98.0	101.9
1982	142	137	205	90.6	88.8	122.1	124.1
1983	158	146	312	76.3	70.4	140.7	140.5
1984	222	245	381	83.4	93.5	133.6	135.7
1985	312	387	595	92.6	115.1	164.3	166.4
1986	388	474	695	92.8	104.5	155.7	143.2
1987	605	624	802	143.9	131.8	177.9	158.0
1985							
I	288	304	414	85.0	92.8	114.0	117.9
II	320	344	546	99.5	109.6	158.4	162.4
III	320	443	740	94.9	132.5	204.7	206.6
IV	320	444	678	91.1	125.4	180.1	178.7
1986							
I	332	472	787	81.0	109.5	179.3	170.3
II	327	528	729	78.8	117.0	163.9	150.7
III	435	443	658	102.7	94.6	145.0	131.1
IV	459	454	608	108.7	96.7	134.4	120.8
1987							
I	565	569	716	139.6	124.7	165.2	146.5
II	567	595	783	142.9	133.8	184.2	164.3
III	619	628	819	144.4	130.5	178.4	158.9
IV	669	705	886	148.6	138.2	183.6	162.1

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay and International Monetary Fund, *International Financial Statistics*.

^a As from 1982 the average exchange rate was used.

^b As from 1982 the average exchange rate was used. However, these figures refer to imports authorized by the Central Bank, i.e., they do not represent the true average rate.

^c Corresponds to the average of the indexes of the real exchange rate for the guaraní against the currencies of Paraguay's main trading partners, weighted by the relative significance of the registered trade flows, either to or from these countries as appropriate. From 1970 to 1980 these weightings correspond to the average for 1975-1979, and as from 1981 to the average for 1982-1985. In the calculations, official exchange rates and, whenever possible, wholesale price indexes were used. For Paraguay, the wholesale price index was used. For the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America and the Caribbean*, 1981.

^d These indexes correspond to a weighted average of the indexes of the real exchange rate in respect of Argentina, Brazil, Federal Republic of Germany, France, Italy, Japan and the United States, based on their share of unregistered trade with Paraguay. To calculate these indexes the parallel exchange rate was used.

^e 1973-1979 average.

Table 11

PARAGUAY: EXPORTS OF GOODS, FOB^a

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Total	335	304	233	353	100.0	100.0	24.3	-9.1	-23.5	52.0
Main traditional exports	89	54	94	113	42.5	31.9	5.7	-38.3	73.2	19.9
Livestock products	12	7	44	36	1.4	10.1	-6.7	-42.4	546.3	-18.4
Wood	22	10	18	25	21.4	7.1	9.1	-55.3	81.5	42.1
Oils	22	19	13	15	5.5	4.4	4.0	-12.7	-31.5	16.6
Tobacco	15	6	5	10	3.3	2.8	50.0	-60.8	-9.7	81.0
Quebracho extract	6	4	4	5	1.4	1.5	4.9	-28.6	-6.5	40.0
Other exports	12	8	10	21	9.5	6.0	-18.7	-22.2	18.9	113.0
Main non-traditional exports	246	250	139	241	57.5	68.1	32.6	1.2	-44.5	73.7
Cotton fibre	131	142	81	101	34.1	28.6	54.1	8.1	-43.1	25.0
Soya	99	100	44	123	13.6	34.7	17.6	1.2	-56.3	179.9
Feed-cake and expellers	12	6	9	13	7.1	3.5	-10.5	-48.4	37.1	42.6
Fruit and vegetables	4	1	5	5	2.7	1.3	40.9	-73.7	430.5	-14.2

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay

^aIncludes only exports appearing in the exchange records of the Central Bank.^bPreliminary figures.

Table 12

**PARAGUAY: EVOLUTION OF THE EXTERNAL PRICES
OF THE MAIN EXPORT PRODUCTS**

(Indexes 1980 = 100)

	Soya ^a		Soya oil ^c		Cotton ^d		Wood ^e	
	Nominal	Real ^b	Nominal	Real ^b	Nominal	Real ^b	Nominal	Real ^b
1970	40.9	126.2	47.8	147.5	32.6	100.6	25.2	77.8
1979	100.7	114.3	110.7	125.7	82.2	93.3	85.2	96.7
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	97.3	101.1	84.8	88.1	90.5	94.1	92.6	96.3
1982	82.8	89.3	74.7	80.6	77.3	83.4	87.3	94.2
1983	95.3	106.1	88.1	98.1	90.0	100.2	83.1	92.5
1984	95.3	109.0	121.1	138.5	85.3	97.6	78.7	90.0
1985	76.0	87.4	95.7	110.0	65.6	75.4	77.7	89.3
I	81.4	99.6	109.4	133.9	73.0	89.4	70.4	86.3
II	79.1	93.2	110.0	129.6	72.0	84.8	77.8	91.6
III	73.3	83.0	86.6	98.1	62.7	71.0	80.5	91.2
IV	70.6	76.1	76.6	82.5	54.5	58.7	82.1	88.5
1986	70.3	70.9	57.4	57.9	56.1	56.5	87.6	88.3
I	73.6	76.1	68.1	70.4	59.3	61.3	83.5	86.3
II	72.6	74.1	58.2	59.4	55.8	56.9	89.3	91.1
III	68.2	67.9	49.2	49.0	47.3	47.1	89.1	88.7
IV	67.5	66.4	53.7	52.9	62.1	61.1	88.6	87.2
1987	73.0	66.3	69.0	62.7	80.8	73.4	107.7	97.8
I	67.5	63.0	62.9	58.7	69.3	64.7	102.0	95.2
II	77.7	70.7	74.1	67.4	87.4	79.5	106.3	96.7
III	74.8	68.4	81.2	74.2	86.3	78.9	109.4	100.0
IV	81.4	71.5	80.5	70.7	75.3	66.2	115.3	101.3

Source: ECLAC, on the basis of UNCTAD, *Monthly Commodity Price Bulletin*, various volumes, and International Monetary Fund (IMF).

^aUnited States, No. 2, yellow, CIF, Rotterdam.

^bThe nominal prices were deflated by the export prices of the industrialized countries.

^cAll origins, raw oil, FOB, ex-works, Netherlands.

^dMexican, medium grade, CIF,

Northern Europe.

^eTropical, wholesale price, United Kingdom.

Table 13

PARAGUAY: IMPORTS OF GOODS, FOB^a

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Total	513	442	509	517	100.0	100.0	7.3	-13.8	15.2	1.6
Consumer goods	114	118	133	134	29.4	25.8	-4.6	3.4	12.6	0.9
Non-durable	83	97	100	99	22.8	19.2	-8.4	17.0	2.4	-0.4
Foodstuffs	14	20	17	9	4.6	1.7	-54.2	38.3	-14.1	-47.3
Beverages and tobacco	25	25	34	42	7.7	8.0	63.7	-1.7	35.5	22.6
Other ^c	43	52	49	49	10.5	9.4	-1.3	21.0	-7.1	-
Durable ^d	31	20	33	34	6.6	6.6	7.3	-33.5	61.0	4.7
Automobiles	16	10	11	16	3.5	3.1	127.7	-38.5	14.8	45.1
Electrical appliances	15	11	22	18	3.1	3.5	-31.0	-28.1	102.4	-15.9
Intermediate goods	176	152	142	140	32.3	27.1	-6.0	-13.6	-6.5	-1.4
Fuels and lubricants	138	115	97	103	25.1	19.9	14.6	-16.7	-15.4	6.0
Other ^e	39	38	45	38	7.2	7.3	-43.2	-2.5	20.6	-17.1
Capital goods	198	139	195	198	38.3	38.3	37.6	-29.8	40.6	1.5
Machinery, equipment and motors	92	102	164	152	15.5	29.4	-14.5	10.4	60.8	-7.1
Transport equipment and accessories ^f	87	21	20	32	14.5	6.1	285.7	-76.0	-6.1	62.4
Other ^g	19	16	12	14	2.7	2.8	39.2	-12.5	-25.6	18.3
Unclassified	25	33	39	45	5.6	8.7	-8.9	32.1	17.5	15.2

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay.

^aIncludes only those imports which appear in the exchange records, plus imports with deferred payments and those carried out with long-term external loans. ^bPreliminary figures. ^cIncludes paper, cardboard and cardboard products, pharmaceuticals and chemicals and textiles and textile manufactures. ^dIncludes jeeps and pickups. ^eIncludes iron and iron manufactures (with the exception of hardware), base metals and their manufactures, stones, earth and manufactures thereof, cement, asphalt and wood and manufactures thereof. ^fExcludes automobiles, jeeps and pickups. ^gIncludes agricultural implements and accessories, hardware and live cattle.

Table 14

PARAGUAY: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-278	-377	-378	-253	-262	-167	-369	-361
Trade balance	-275	-422	-445	-245	-272	-158	-296	-287
Exports of goods and services	565	555	617	464	696	805	792	1 055
Goods, FOB ^b	400	399	396	326	538	620	573	800
Real services ^c	165	156	220	138	158	185	218	255
Transport and insurance	4	5	2	2	2	8	3	4
Travel	91	80	59	49	96	105	148	150
Imports of goods and services	841	976	1 062	709	968	963	1 087	1 341
Goods, FOB	675	772	711	551	740	727	736	935
Real services ^c	165	204	350	157	228	236	351	407
Transport and insurance	104	118	106	75	113	104	146	198
Travel	35	38	42	44	44	47	48	48
Factor services	-5	42	65	-9	7	-11	-74	-75
Profits	-54	-38	-13	-39	-26	-20	-55	-42
Interest received	77	102	122	63	70	79	58	60
Interest paid	-76	-82	-83	-66	-61	-80	-91	-118
Others	48	60	39	33	24	9	14	25
Unrequited private transfer payments	3	2	2	1	2	2	1	1
Balance on capital account	428	420	316	200	248	39	241	370
Unrequited official transfer payments	2	3	4	5	7	6	10	11
Long-term capital	192	169	265	289	219	121	212	...
Direct investment (net)	32	32	37	5	5	1	32	...
Portfolio investment (net)	-	6	-8	3	-	8	-	...
Other long-term capital	160	131	236	281	214	112	181	...
Official sector ^d	85	39	60	139	127	109	137	...
Loans received	98	60	83	162	150	137	185	...
Amortization payments	-12	-20	-22	-23	-23	-28	-48	...
Commercial banks ^e	1	11	11	7	32	15	6	...
Loans received	7	17	16	10	40	20	14	...
Amortization payments	-6	-6	-6	-3	-9	-5	-8	...
Other sectors ^f	74	81	165	135	55	-11	37	...
Loans received	135	141	217	168	109	59	102	...
Amortization payments	-60	-61	-52	-33	-53	-71	-64	...
Short-term capital (net)	255	262	73	-2	67	-62	15	50
Official sector	3	12	10	23	97	-56	-19	...
Commercial banks	-14	-13	1	15	-5	14	-21	...
Other sectors	266	263	62	-40	-26	-20	55	...
Errors and omissions (net)	-20	-13	-26	-92	-45	-27	4	19
Global balance ^g	150	44	-62	-53	-14	-128	-128	9
Total variation in reserves (- sign indicates and increase)	-152	-44	65	56	17	135	85	-53
Monetary gold	-	-	-	-	-	-	-2	...
Special Drawing Rights	-2	-4	-9	-6	-3	-8	-9	...
IMF reserve position	-8	-10	-1	-3	2	-3	4	...
Foreign exchange assets	-143	-30	77	68	13	145	92	...
Other assets	-	-	-2	-3	4	1	-	...
Use made of IMF credit	-	-	-	-	-	-	-	...

Source: 1980-1986: International Monetary Fund (IMF), June 1988 magnetic tape. 1987: Central Bank of Paraguay.

Note: Current account figures for 1984, 1985, and 1986 are taken from data provided by the Central Bank of Paraguay. For these same years, capital account and reserve variation data are based on IMF figures adjusted by ECLAC for errors and omissions.

^aPreliminary figures.^bIncludes estimates of unregistered transactions.^cIncludes other non-factor^dIncludes net loans granted and other assets and liabilities.^eEqual to total variation in reserves (of

opposite sign) plus counterpart items.

Table 15

PARAGUAY: INDICATORS OF TOURISM

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Number of tourists (thousands) ^{bc}	302.1	267.1	178.4	147.8	292.0	262.7	370.7	303.2
From Argentina	132.6	122.5	56.9	47.1	141.3	107.2	155.7	116.2
From Brazil	104.8	92.1	93.8	70.3	97.6	93.4	124.5	67.0
From United States	3.3	4.3	3.9	3.5	7.5	6.2	7.8	10.1
From Japan	3.9	2.5	1.0	1.9	2.7	2.8	3.4	4.9
From Uruguay	3.9	7.5	5.4	3.1	10.2	4.6	18.4	25.3
From other countries	53.6	38.2	17.9	22.1	32.7	40.9	60.9	79.7
Average stay (days)	3.3	3.3	3.3	3.3	3.0	3.0	3.0	4.7
Average expenditure (dollars) ^d	300	300	330	332	330	399	400	400
Total expenditure (millions of dollars) ^d	90.7	80.2	59.0	49.0	96.3	105.0	148.3	121.3
Supply of rooms (number) ^e	2 750	2 769	3 076	3 177	3 280	3 302	3 892	4 159
Supply of beds (number) ^e	6 329	6 243	6 806	6 985	6 938	7 075	8 206	9 219
Average rate of occupation (percentage)								
Of rooms	99.3	87.2	52.4	42.1	73.2	65.4	60.0	53.7
Of beds	43.2	38.7	23.7	19.1	34.6	30.5	32.0	28.1

Source: ECLAC, on the basis of figures provided by the Department of Tourism, Ministry of Public Works and Communications and the Central Bank.

^aPreliminary figures.

^bThe total number of tourists is calculated on the basis of tourist cards, and includes only persons over 12 year of age.

^cThe distribution of tourists by country of origin is calculated on the basis of hotel registers. For 1972, the distribution refers to the nationality of the tourists; subsequently it refers to their point of departure.

^dFrom the balance of payments. ^eRefers to hotels, motels, hostels and boarding houses regarded by the Department of Tourism as "of tourist level".

Table 16

PARAGUAY: DIRECT EFFECTS OF THE ITAIPU AND YACYRETA BINATIONAL ENTITIES ON THE BALANCE OF PAYMENTS^a

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Current account								
Total	-278	-377	-378	-253	-262	-167	-369	-361
Binational entities	178	150	158	144	85	44	44	66
Itaipú	121	139	126	127	61	37	27	30
Yacyretá	57	73	24	17	24	7	17	36
Remainder	-456	-527	-536	-397	-177	-123	-325	-295
Capital account								
Total	428	420	316	200	248	39	241	218
Binational entities	217	237	184	160	112	70	45	79
Itaipú	146	159	159	143	87	55	27	30
Yacyretá	71	78	25	17	25	15	18	49
Remainder	211	183	132	40	136	-31	196	139
Global balance								
Total	150	44	-62	-53	-14	-128	-128	-143
Binational entities	395	449	338	305	197	114	89	145
Itaipú	267	298	289	270	148	92	54	60
Yacyretá	129	151	48	34	49	22	35	85
Remainder	-245	-405	-400	-358	-41	-154	-129	-156
International reserves^c								
Total	766	810	687	684	669	578	476	527
Binational entities ^d	1 217	1 666	2 004	2 309	2 506	2 620	2 709	2 854
Itaipú ^d	987	1 285	1 574	1 844	1 992	2 084	2 138	2 198
Yacyretá ^d	231	382	430	464	513	535	570	655
Remainder	-451	-856	-1 317	-1 625	-1 837	-2 042	-2 233	-2 327

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay.

^aDoes not include imports of goods and services by the binational entities which are imputable to the Balance of payments, with the exception of profits from investments by the Itaipú binational entity in Paraguay. Similarly, it does not include the capital flows which finance those imports (which are also imputable to the balance of payments). Consequently, the accounting system used for this table is the same as that used for table 14, on the balance of payments, the original source of which is the Central Bank of Paraguay. ^bPreliminary figures. ^cEquals gross international assets of the Central Bank of Paraguay. ^dShows the accumulated effects on the global balance of payments.

Table 17

PARAGUAY: AMOUNTS OF EXTERNAL INDEBTEDNESS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
External debt contracted ^b	1 323	1 641	1 939	2 272	2 339	2 508	2 448 ^c	2 435
Public sector	1 152	1 490	1 766	2 101	2 187	2 363	2 418	2 407
Private sector	170	151	173	171	151	145	30 ^c	28
Gross external debt disbursed ^b	861	948	1 203	1 469	1 654	1 772	1 855	2 043
Public sector	691	797	1 030	1 298	1 503	1 627	1 825	2 010
Non-financial	574	670	868	1 116	1 291	1 396	1 598	1 757
Central government	277	317	369	502	621	749	886	979
State enterprises	297	353	499	614	670	647	712	778
Financial	117	127	162	182	212	231	227	253
Gross external debt service	154	169	163	125	146	184	212	299
Principal	78	87	80	59	85	104	121	181
Interest	76	82	83	66	61	80	91	118

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay and the International Monetary Fund (IMF).

^a Preliminary figures.^b Medium- and long-term public and State-guaranteed private debt; end-year balance.^c The amount of the State-guaranteed private external debt was revised in 1986; Consequently the figures for that year may not, strictly speaking be comparable with those of previous years.

Table 18

PARAGUAY: INDEXES AND RATIOS OF THE EXTERNAL DEBT

	1970	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)									
Disbursed gross external debt ^b									
At current prices	17.7	100.0	110.2	139.8	170.6	192.1	205.8	215.4	237.3
Deflated by export prices	55.1	100.0	100.8	137.4	177.9	179.9	240.1	250.8	276.9
Deflated by import prices	62.8	100.0	107.4	132.9	171.0	229.5	258.5	273.4	289.4
Disbursed net external debt ^c									
At current prices	172.7	100.0	147.7	585.2	939.8	1 271.6	1 465.9	1 628.4	1 779.5
Deflated by export prices	539.5	100.0	135.1	574.9	980.0	1 190.6	1 710.5	1 895.7	2 076.4
Deflated by import prices	613.0	100.0	144.0	556.3	941.7	1 519.2	1 841.6	2 066.5	2 170.1
As a percentage of exports ^d									
External debt services	15.9	27.2	30.5	26.4	26.9	21.1	22.9	26.8	28.3
Principal	7.3	13.8	15.7	13.0	12.7	12.2	12.9	15.3	17.2
Interest	8.6	13.5	14.8	13.5	14.2	8.8	9.9	11.5	11.2

Source: ECLAC, on the basis of data supplied by the Central Bank of Paraguay and the International Monetary Fund (IMF).

^aPreliminary figures.^bMedium- and long-term State-guaranteed public and private debt end-of-year balances.^cDisbursed gross external debt less holdings of external assets (see table 17).^dNon-factor goods and services.

Table 19

PARAGUAY: DOMESTIC PRICES

	1980	1981	1982	1983	1984	1985	1986	1987
Variation between annual averages								
Consumer price index ^a	22.4	14.0	6.8	13.5	20.3	25.2	31.7	21.8
Food	18.9	10.4	3.5	17.1	28.9	27.6	43.5	23.9
Housing	22.7	20.2	8.4	3.6	7.0	17.4	13.8	19.0
Clothing	21.2	11.6	6.0	20.8	26.7	32.8	32.8	18.0
Miscellaneous expenses	32.1	13.4	9.4	17.2	20.0	26.3	13.8	21.9
Wholesale price index ^b	7.8	12.2	3.5	32.9	28.3	23.4	45.1	11.9
Agricultural products	2.7	13.7	3.5	39.7	18.6	12.8	64.0	-1.1
Index of implicit prices of the gross domestic product ^c	16.8	16.1	5.2	14.4	27.0	25.2	31.6	30.3
Variation from December to December								
Consumer price index ^a	8.9	8.1	8.9	14.1	29.8	23.1	24.1	32.0
Food	-2.8	6.9	5.4	19.4	42.5	22.3	34.9	42.3
Housing	21.1	12.3	6.4	2.7	15.9	13.0	11.7	22.0
Clothing	14.8	5.0	15.5	20.9	32.2	34.9	21.7	22.1
Miscellaneous expenses	30.7	4.4	14.0	17.0	25.4	28.5	19.4	26.8
Wholesale price index ^b	-1.9	19.6	-6.8	32.9	43.8	16.3	28.1	19.7
Agricultural products	-10.6	30.9	-15.7	39.7	39.1	9.5	28.8	12.6

Source: Central Bank of Paraguay.

^aBase year: 1980.^bBase year: 1972.^cAt market prices. Base year: 1982.

Table 20

PARAGUAY: WAGES

	Indexes (1980 = 100)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Nominal								
Wages of manual workers in Asunción^b								
General	152.4	186.8	235.4	322.1	16.0	22.6	26.0	36.8
Manufacturing	153.6	185.9	238.2	327.3	19.5	21.0	28.2	37.4
Construction	148.4	193.6	257.7	379.1	23.2	30.5	33.1	47.1
Electricity, gas and water	162.2	220.9	268.2	375.2	11.8	36.2	21.4	39.9
Transport, storage and communications	146.5	175.5	211.8	278.7	7.9	19.8	20.7	31.6
Commerce	163.9	202.1	268.5	382.6	21.8	23.3	32.8	42.5
Other services	171.6	231.1	304.1	433.8	31.5	34.7	31.6	42.6
Average agricultural daily wages								
With meals	146.7	158.7	205.8	287.5	0.1	8.2	29.7	39.7
Without meals	133.4	142.0	189.8	282.6	-2.6	6.4	33.7	48.9
Minimum legal wages								
Asunción and Puerto Stroessner	156.2	206.9	297.2	409.7	20.0	32.4	43.7	37.8
Other cities	155.6	206.3	296.5	408.6	20.5	32.6	43.7	37.8
Agriculture	154.9	205.4	295.1	406.7	19.8	32.6	43.7	37.8
Real^c								
Wages of manual workers in Asunción								
General	91.8	89.8	85.9	96.5	-3.5	-2.1	-4.4	12.3
Manufacturing	92.5	89.4	86.9	98.1	-0.6	-3.3	-2.7	12.8
Construction	89.3	93.1	94.0	113.6	2.4	4.2	1.0	20.8
Electricity, gas and water	97.6	106.2	97.9	112.4	-7.1	8.8	-7.9	14.9
Transport, storage and communications	88.2	84.4	77.3	83.5	-10.3	-4.3	-8.4	8.0
Commerce	98.7	97.2	98.0	114.6	1.3	-1.5	0.8	17.0
Other services	103.3	111.1	111.0	130.0	9.3	7.6	-0.1	17.1
Average agricultural daily wages								
With meals	88.3	76.3	75.1	86.1	-16.7	-13.6	-1.6	14.7
Without meals	80.3	68.3	69.3	84.7	-19.0	-15.0	1.5	22.2
Minimum legal wages								
Asunción and Puerto Stroessner	94.0	99.5	108.5	122.7	-0.2	5.8	9.1	13.1
Other cities	93.7	99.2	108.2	122.4	0.2	5.9	9.1	13.1
Agriculture	93.3	98.7	107.7	121.8	-0.4	5.9	9.1	13.1

Source: ECLAC, on the basis of figures supplied by the Central Bank of Paraguay, Department of Economic Studies; Ministry of Agriculture, Department of Agricultural Marketing and Economics; and Ministry of Justice and Labour, Department of Human Resources.

^a Preliminary figures. ^b Average for June and December. ^c The nominal values were deflated by the consumer price index.

Table 21

PARAGUAY: CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	Billions of guaraníes				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Current income	85.2	110.2	143.1	202.4	30.2	29.3	29.8	41.5
Tax revenue	70.1	94.4	122.5	174.6	36.0	34.7	29.8	42.5
Direct taxes	15.5	22.6	29.0	44.6	5.2	46.1	28.1	53.9
On personal income	10.2	15.8	20.7	34.8	5.4	54.7	31.2	68.1
On capital	5.3	6.8	8.2	9.7	4.7	29.3	20.8	18.3
Indirect taxes	36.8	48.5	64.5	89.2	55.6	31.9	33.0	38.3
On external trade	14.2	17.7	22.9	32.6	24.8	24.4	29.7	42.2
Imports	12.8	16.7	22.0	30.8	21.4	30.2	32.0	40.1
Exports	1.4	1.0	0.9	1.8	69.5	-28.3	-8.9	93.0
On domestic commerce	22.6	30.8	41.6	56.6	84.0	36.5	34.9	36.1
Other	17.8	23.3	29.0	40.8	35.3	30.6	24.7	40.6
Non-tax income	15.2	15.9	20.5	27.8	8.9	4.6	29.6	35.2
Current expenditure	78.3	97.6	119.8	164.7	5.2	24.6	22.7	37.5
Consumption	44.8	60.3	65.5	95.2	3.0	34.6	8.6	45.3
Salaries and wages	33.5	40.8	47.1	63.8	1.8	21.8	15.4	35.5
Goods and non-personal services	11.3	14.4	18.4	31.4	6.6	27.4	27.8	70.7
Interest payments	4.9	6.7	9.7	19.9	81.5	36.7	44.8	105.2
Transfers	22.4	25.9	29.2	35.8	-0.9	15.6	12.6	22.8
To the private sector	17.8	20.8	21.3	26.2	2.3	16.9	2.4	23.0
To the public sector	4.6	4.9	7.9	9.6	-9.8	6.5	60.4	22.5
Other	6.2	7.7	15.4	13.8	-7.1	24.2	100.0	-10.4
Saving	6.9	12.6	23.3	37.7		84.1	84.3	61.6
Capital income	0.3	0.6	0.8	1.0	200.0	100.0	33.3	25.0
Capital expenditure	17.7	34.7	13.4	22.1	-36.8	96.0	-61.4	64.9
Capital formation	10.2	29.7	10.7	21.0	-42.7	191.0	-64.1	96.9
Transfers	7.5	1.3	2.7	0.3	-25.7	-82.7	105.8	-88.8
To the public sector	7.5	1.3	2.7	0.3	-25.7	-82.7	105.8	-88.8
Other	-	-	3.1	0.8	-	-	-	-74.2
Total expenditure	96.0	132.3	133.2	186.8	19.1	37.6	-	40.3
Global balance	-10.5	-21.4	10.7	16.5	-70.7	103.8	-150.0	54.5
As a percentage of the global balance								
Financing (net)	10.5	21.4	-10.7	-16.5	-100.0	-100.0	-100.0	-100.0
Domestic (net)	-8.6	10.7	-13.2	-7.5	81.9	-50.0	-123.4	-45.4
Banks	4.4	7.7	6.5	9.7	-41.9	-36.0	60.7	58.7
Central Bank	7.3	7.7	6.5	9.7	-69.5	-36.0	60.7	58.7
Rest of banking system	-2.9	-	-	-	27.6	-	-	-
Financial investment	-	-	-	-11.8	-	-	-	-
Other ^b	9.8	17.3	10.1	15.8	-93.3	-80.8	94.4	95.6
Variation in liquid assets	-22.8	-14.3	-29.8	-33.0	217.1	66.8	-278.5	-199.7
External (net)	19.0	10.7	2.5	2.8	-181.0	-50.0	23.1	16.9
Disbursements	23.3	16.1	10.9	21.9	-221.9	-75.2	101.6	132.5
Amortization payments	-4.3	-5.4	-8.4	-19.1	41.0	25.2	-78.5	-115.6

Source: Ministry of Finance, Technical Secretariat and Budget Department, and the International Monetary Fund (IMF).

^aPreliminary figures. ^bIncludes supplier credits, issue and amortization of bonds and amortization of commitments carried over from previous years.

Table 22

PARAGUAY: SUBSIDIES TO THE PUBLIC SECTOR^a

	Millions of guaraníes			Growth rates			As a percentage of GDP		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Exchange subsidy									
1. For servicing the external public debt ^b	19 671	36 416	61 446	229.1	85.1	68.7	1.4	2.0	2.5
2. For imports by public institutions ^c	6 186	7 061	17 850	-25.8	14.1	152.8	0.4	0.4	0.7
3. Total (1 + 2)	25 857	43 477	79 296	80.6	68.1	82.4	1.9	2.4	3.2
Credit subsidy									
4. At the rate of interest of the minimum portfolio ^d	3 458	5 217	6 632	58.9	50.9	27.1	0.2	0.3	0.3
5. At the rate of inflation ^e	7 284	12 483	13 610	75.0	71.4	9.0		0.7	0.5
Total subsidy									
(3 + 4)	29 315	48 694	85 928	77.7	66.1	76.5	2.1	2.7	3.4
(3 + 5)	33 141	55 960	92 906	79.4	68.9	66.0	2.4	3.1	3.7

Source: ECLAC, on the basis of data supplied by the Central Bank of Paraguay.

^aProvisional figures subject to revision.

^bEqual to the difference between the average exchange rate paid by the Central Bank on purchases of foreign currency and the exchange rate at which it sells it to the public sector for servicing of its external debt.

^cEqual to the difference between the average exchange rate paid by the Central Bank on purchases of foreign currency and the average exchange rate at which it sells it to the public sector for its imports. Includes the difference in exchange rates for the importation of agricultural inputs for the private sector.

^dEqual to the difference between the interest rate paid by the non-financial public sector on net Central Bank credit and that paid by the non-financial private sector on credit having a term of less than 240 days under the Minimum Portfolio System.

^eEqual to the difference between the interest rate paid by the non-financial public sector on net Central Bank credit and the rate of inflation.

Table 23

PARAGUAY: MONETARY BALANCE OF THE CENTRAL BANK OF PARAGUAY

	Year-end balances in billions of guaraníes				Growth rates			
	1984	1985	1986	1987	1984	1985	1986	1987
I. Net international reserves ^a (in millions of dollars)	94.6 516.9	112.9 479.2	132.8 397.5	212.2 437.3	4.8 -17.3	19.3 -7.3	17.6 -17.0	59.8 10.0
II. Net domestic credit	69.0	78.3	130.6	148.7	39.1	13.5	66.8	13.9
1. Non-financial								
public sector	31.9	46.7	57.0	80.2	25.1	46.4	22.1	40.7
a. Central government	20.4	24.3	26.9	26.7	28.3	19.1	10.7	-0.7
Credits	29.5	33.4	40.4	50.1	37.9	13.2	21.0	24.0
Deposits	9.0	9.1	13.5	23.4	63.6	1.1	48.4	73.3
b. Public entities ^b	11.5	22.4	30.1	53.5	19.8	94.8	34.4	77.7
Credits	16.8	29.8	37.9	64.7	36.6	77.4	27.2	70.7
Deposits	5.3	7.4	7.8	11.2	96.3	39.6	5.4	43.6
2. Banking sector	37.1	31.6	73.6	68.5	53.9	-14.8	132.9	-6.9
a. National Development Bank	12.9	11.4	22.2	22.6	18.3	-11.6	94.7	1.8
b. Private commercial banks	24.2	20.2	51.3	45.9	83.3	-16.5	154.0	-10.5
III. Capital and reserves	17.7	19.3	21.2	24.3	5.4	9.0	9.8	14.6
IV. Other net assets and liabilities	-25.8	-28.4	-41.1	-49.6	0.4	10.1	44.7	20.7
Assets	20.5	24.7	29.8	38.4	69.4	20.5	20.6	28.9
Liabilities	46.3	53.1	70.9	88.0	8.2	14.7	33.5	24.1
V. Monetary base (I+II-III+IV)	120.1	143.6	201.2	286.9	23.4	19.6	40.1	42.6
1. Notes and coins issued	53.7	69.6	92.1	128.3	28.5	29.6	32.3	39.3
In banks	5.1	7.0	7.6	8.7	54.5	37.3	8.6	14.5
Outside banks	48.6	62.6	84.5	119.6	26.2	28.8	35.0	41.5
2. Deposits in the Central								
Bank of Paraguay	66.4	74.0	109.1	158.6	19.6	11.4	47.4	45.4
Legal cash reserve	61.0	70.5	93.5	144.3	21.8	15.6	32.6	54.3
Bank deposits	5.4	3.5	15.6	14.3	-	-35.2	345.7	-8.3

Source: ECLAC, on the basis of official figures provided by the Central Bank of Paraguay.

^aAt 126 guaraníes per dollar.^bIncludes the Livestock Fund.

Table 24

PARAGUAY: VARIATION FACTORS IN THE MONETARY BASE

(Billions of guaraníes)

	1983	1984	1985	1986	1987
I. Effective variation in national currency of net international reserves ^a	-3.6	-19.9	-8.9	-27.3	19.3
(Variation in millions of dollars)	-24.8	-108.5	-37.7	-81.7	39.8
(Average implicit exchange rate for net international reserves) ^b	144.39	183.01	235.60	334.09	485.25
II. Effective net domestic credit	28.7	43.6	36.5	99.5	78.2
A. Exchange rate effect ^c	1.9	24.2	27.2	47.2	60.1
B. Registered net domestic credit	26.8	19.4	9.3	52.3	18.1
1. Central government	18.6	4.5	3.9	2.6	0.2
2. Public entities	1.6	1.9	10.9	7.7	23.4
3. Banking sector	6.6	13.0	-5.5	42.0	-5.1
III. Other	-4.7	-1.0	-4.2	-14.6	-11.6
Variation in the monetary base	20.4	22.7	23.4	57.6	85.8

Source: Central Bank of Paraguay.

^aIncrease in dollars valued at the average implicit exchange rate for the net international reserve at the end of each year.^bResult of dividing net international reserve balances into national currency and into dollars of the Central Bank of Paraguay.^cRepresents the effective variation in the average exchange rate, plus the effect of the differentials of the exchange rates and the variations in the local-currency valuation of net international assets.

Table 25

PARAGUAY: LIQUIDITY OF THE BANKING SYSTEM

	Year-end balances in billions of guaraníes				Growth rates			
	1984	1985	1986	1987	1984	1985	1986	1987
I. Money	93.3	118.9	151.9	233.3	27.1	27.4	27.8	53.6
A. Notes and coins in circulation	48.6	62.6	84.5	119.6	26.2	28.8	35.0	41.5
B. Demand deposits ^a	44.7	56.3	67.4	113.7	28.1	26.0	19.7	68.7
a. Private sector	39.9	52.2	62.0	89.7	24.7	30.8	18.8	44.7
b. Public entities	4.8	4.1	5.4	24.0	65.5	-14.6	31.7	344.4
II. Quasi-money								
(in local currency)	112.7	132.5	164.9	200.6	10.9	17.6	24.5	21.6
A. Savings and fixed-term deposits	92.1	105.0	134.4	173.2	10.7	14.0	28.0	28.9
a. Private sector	88.2	99.6	128.2	156.3	11.2	12.9	28.7	21.9
b. Public sector	3.9	5.4	6.2	16.9	-	38.5	14.8	172.6
B. Other deposits	20.6	27.5	30.5	27.4	12.0	33.5	10.9	-10.2
III. Liquidity in local currency	206.0	251.4	316.8	433.9	17.7	22.0	26.0	37.0
IV. Deposits in foreign currency	12.3	8.5	14.7	16.6	0.8	-30.9	72.9	12.9
Banking multiplier ^b	1.72	1.75	1.57	1.51				
Circulation preference coefficient ^c	0.236	0.249	0.267	0.276				
Coefficient of cash reserves ^d	0.422	0.392	0.470	0.505				

Source: Central Bank of Paraguay.

^aExcludes Central government and public entity deposits in the Central Bank of Paraguay. ^bIndicates the capacity of the banking system to expand local-currency liquidity by issuing notes and coins.^cNotes and coins in circulation/local-currency liquidity. ^dBank funds deposited in the Central Bank of Paraguay (legal cash reserve plus other deposits)/bank deposits (demand, savings, fixed-term and other).

Table 26

**PARAGUAY: CREDIT PROGRAMME: SECTORAL ALLOCATION OF
PRIVATE-SECTOR CREDIT**

	Year-end balance in millions of guaraníes				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Commercial banks								
Total	109.2	117.5	160.7	203.5	18.0	7.6	36.7	26.7
Agriculture	13.3	18.8	58.5	67.6	32.2	41.1	211.5	15.6
Crop farming	6.4	12.0	53.5	58.2	37.1	86.7	346.8	8.9
Stock raising	6.9	6.8	5.0	9.4	27.9	-1.2	-26.1	87.0
Industry	34.2	34.8	31.9	44.9	16.8	1.7	-8.5	40.9
Manufacturing	34.2	34.8	31.8	44.8	21.2	1.7	-8.5	41.0
Construction	-	0.1	0.1	0.1	-96.0	31.8	32.2	4.7
Commerce (domestic)	42.0	43.9	50.6	64.6	25.4	4.6	15.3	27.7
Exports	15.2	15.1	14.2	17.8	0.8	-0.7	-5.8	24.9
Other	4.5	4.9	5.5	8.6	-2.1	9.0	10.9	57.7
National Development Bank								
Total	41.7	46.4	64.0	74.0	24.6	11.1	38.1	15.5
Agriculture	32.4	35.7	50.7	59.6	34.5	10.1	42.1	17.5
Crop farming	31.0	34.3	49.0	57.7	37.2	10.7	42.7	17.7
Stock raising	1.4	1.3	1.7	1.9	-6.8	-2.7	27.7	10.7
Industry	6.9	8.0	9.4	11.6	-3.6	15.8	18.4	23.5
Manufacturing	6.9	8.0	9.4	11.6	-3.6	15.8	18.4	23.5
Construction	-	-	-	-	-	-	-	-
Commerce (domestic)	1.8	2.1	3.3	2.1	-0.8	19.1	56.1	-35.8
Exports	0.3	0.3	0.4	0.4	88.9	2.2	7.1	22.1
Other	0.4	0.3	0.3	0.2	17.3	-22.2	-9.1	-19.8
Total								
Total ^b	164.0	179.0	267.1	333.2	17.6	9.1	49.3	24.7
Agriculture ^b	58.6	69.4	125.1	146.7	41.9	18.5	80.3	17.3
Crop farming ^b	37.6	46.4	102.6	116.0	37.0	23.6	121.0	13.1
Stock raising ^b	21.0	23.0	22.5	30.7	5.3	9.4	-2.1	36.4
Industry	41.2	42.9	67.8	92.8	12.8	4.1	58.1	36.8
Manufacturing	41.2	42.9	41.4	56.6	19.7	4.1	-3.5	36.8
Construction ^c	...	...	26.4	36.1	...	...	...	36.7
Commerce (domestic)	43.8	46.0	53.9	66.7	24.5	5.2	17.1	23.8
Exports	15.5	15.4	14.6	18.2	1.8	-0.7	-5.5	24.8
Other	4.9	5.2	5.7	8.8	-0.7	6.4	9.6	54.2

Source: ECLAC, on the basis of figures provided by the Central Bank of Paraguay.

^aPreliminary figures.^bIncludes the Livestock Fund.^cIncludes the savings and loan system for housing.

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PERU

1. Recent economic trends: Introduction and summary

After having marked up a growth rate of 9% the year before (the highest rate in 15 years), in 1987 the Peruvian economy expanded by almost 7% and the per capita gross domestic product also rose once again (see table 1). The expansion of domestic demand brought about by the increase in real total income was, for the second consecutive year, the main means used to galvanize the economy, and it resulted in a higher employment level and a fuller utilization of installed industrial capacity.

However, the extension of the reactivation programme that had been launched in August 1985, which essentially was a short-term strategy, caused the economic imbalances that had arisen in late 1986 to grow rapidly worse.

These misadjustments were manifested in soaring inflation during the final months of the year, which stemmed from both cost and demand pressures, as well as in a substantial increase in the public deficit that was mainly due to a steep reduction in tax revenue rather than to greater spending. External accounts also deteriorated markedly. The expansion of imports, especially of inputs and capital goods for the private sector, and the virtual stagnation of exports caused the trade deficit to almost triple. Given this situation, the lack of an adequate flow of external financing resulted in a severe loss of international reserves.

On the supply side, production increased in all sectors of the economy except fishing and mining. The expansion of the agricultural sector was due to the existence of a price support system, the supply of inexpensive imported inputs (thanks to the subsidized exchange rate), and the granting of soft credits at an interest rate that was negative in real terms. The manufacturing sector was also able to import its inputs at a subsidized exchange rate and it, too, was provided with credits at what proved to be a negative cost in real terms, but the faulty administration of price controls gradually gave rise to increased tax evasion and contraband, as well as to sporadic shortages of some products.

Towards the end of the year industrial expansion began to show the effects of the very low investment levels registered since the beginning of the decade, and this was compounded by the deterioration of installed capacity and by industry's glaring technological lag. Projects being carried out by the private sector, whose imports of capital goods doubled between 1985 and 1987, did not yield the expected results because of the dizzying rise in domestic demand.

As a consequence of the country's deepening macroeconomic imbalances, a turnabout was seen in the expectations of economic agents, which had been favourable up until the end of the second quarter according to opinion polls taken by the National Statistical Institute. The surprise presentation in July of a bill to nationalize the banks, the steady decrease in international reserves and the authorities' erratic management of the exchange rate all added to the lack of confidence on the part of economic agents.

Bolstered by periodic increases in real wages, domestic demand continued to expand rapidly in spite of the disappearance of the factors which had made this process viable in 1986, i.e., a considerable degree of idle capacity and a high level of international reserves. In view of the upsurge in inflation, the authorities increasingly resorted to holding down the prices and rates charged for goods and services produced by State enterprises, at the cost of an increase in the public deficit, in an attempt to maintain wage earners' purchasing power. The effort to do the same with prices of non-public goods by means of administrative controls was less successful because of the complexities of private enterprise cost structures and the scant enforcement capabilities of the government.

Continual increases in real wage levels and the adjustment of the exchange rate put pressure on the cost structure at a time when intensive use was being made of installed capacity in key branches of activity. Thus, inflationary pressures became stronger and stronger, and expectations changed

Figure 1
PERU: MAIN ECONOMIC INDICATORS

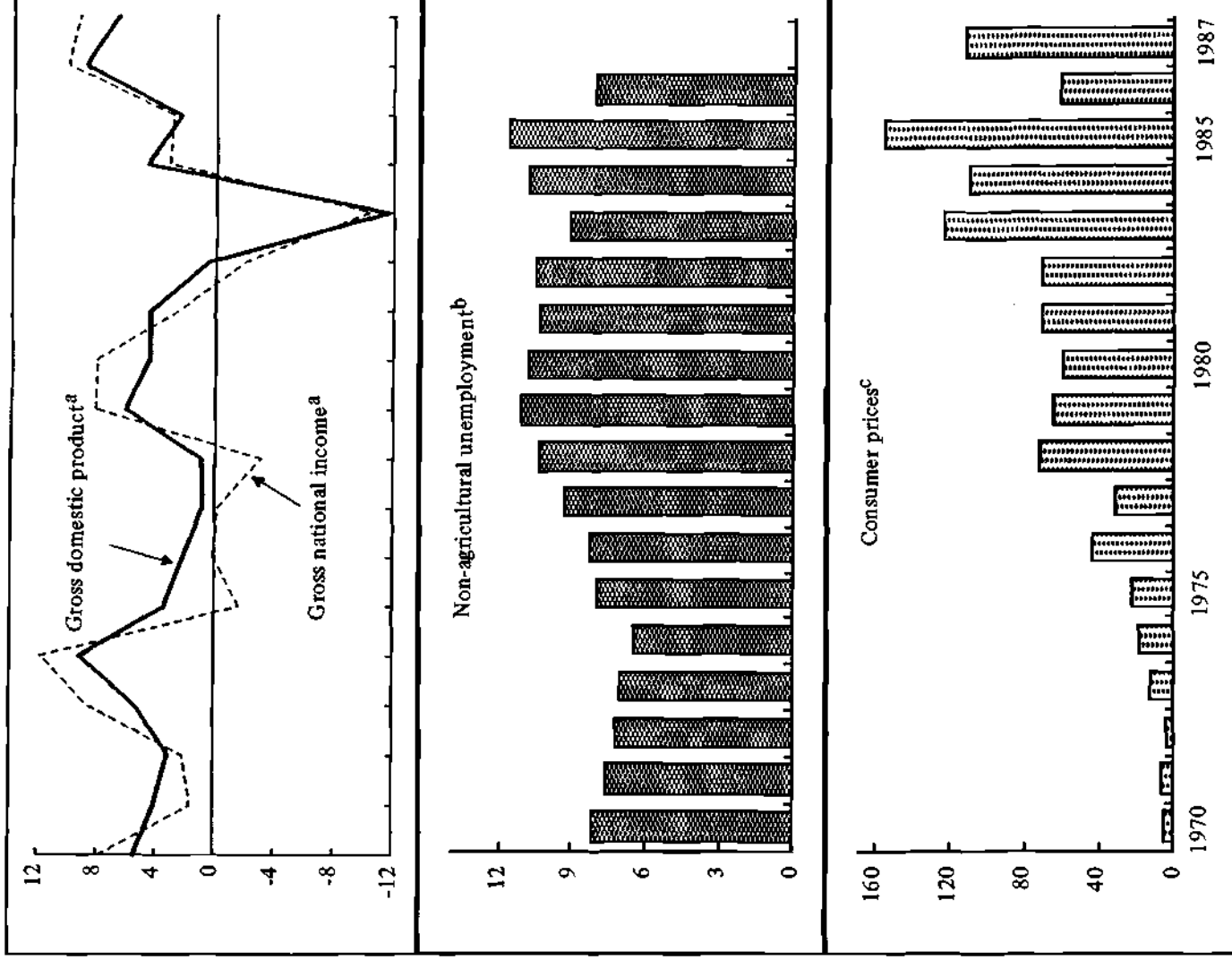
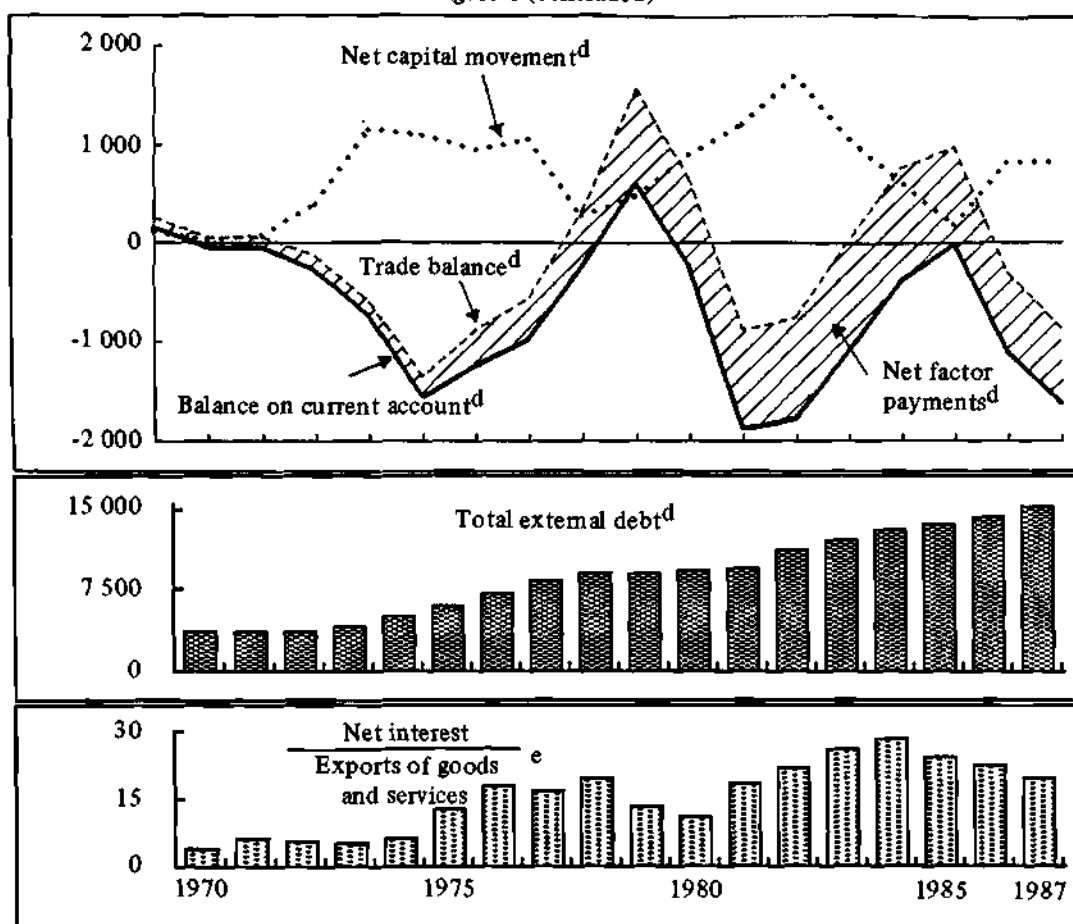


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bAverage annual rate.

^cDecember - December percentage variation.

^dMillions of dollars.

^ePercentages.

accordingly. This gave rise to a price spiral during the last months of the year, and the cumulative 12-month rate reached 114% in December, as compared with 63% the year before.

The pressure of domestic demand reinforced what was already a distorted consumption pattern, in that it was based on a heavy use of imported foodstuffs and on an industrial production structure that was highly dependent on external inputs. This led to a further increase in the demand for imports not only because of the fairly slow increase in the international prices for imported products, but also as a result of the overvaluation of the inti. Since the short-term model was based on an increase in domestic consumption, there was not much spare capacity left over for increasing exports of manufactures. What little growth in exports was achieved was made possible only by the rise in international commodity prices, since export volumes of various items, especially some of those produced by the mining sector, actually diminished.

The stringent restrictions applying to disbursements of profits and interest caused the amount of such payments to decline, but the drop was more than offset by the widening of the trade gap. The deficit on current accounts therefore increased by around 45% and, given the lack of an adequate flow of external investment and credits, international reserves decreased substantially (see figure 1).

Although real expenditure did not increase, the public-sector deficit grew from 5% to 6.5% of the gross domestic product as a result of an increase in tax exemptions and the consequent drop in real tax revenues and the lag in adjusting the prices and rates charged by public enterprises.

The government's highly expansionary monetary policy, especially in the second half of the year, was reflected in a substantial rise in the net domestic credit granted by the Central Bank to the public sector. This item includes the effect of the exchange rate differential, which began to widen midway through the year. The increase in monetary issues lagged somewhat behind, since it was mitigated by the contractive repercussions of the steep drop in international reserves.

2. Trends in economic activity

a) *Total supply and demand*

Total supply went up by almost 9%, chiefly as a result of the sharp increase in imports, which was three times greater than the growth of the product. In contrast, the volume of exports fell once again, in spite of the fact that international prices climbed for the first time since 1983 (see table 2).

The determining factor in the expansion of domestic demand was private consumption, since public expenditure was subject to stiff restrictions, although the current disbursements of the central government did grow slightly in real terms. Private investment rose again, owing to the favourable economic climate in the first half of the year and the low internal cost of foreign exchange.

b) *The main sectors*

For the second year in a row, the only sector which did not expand was mining (see table 3). The fastest-growing activities were manufacturing and construction, but their growth rates tapered off to near zero in the closing months of the year. The relative price structure once again favoured agricultural products over manufactures (see table 4).

i) *Agriculture.* The continuation of the price support scheme for priority crops, the supply of imported fertilizers and pesticides at a preferential exchange rate, and the increase, in real terms, of the volume of credit provided at special interest rates all contributed to a 5% expansion in this sector's product (see table 5).

Thanks to heavy subsidization and generally favourable weather conditions, the 39% increase in the area sown with rice resulted in a 61% rise in the volume of the harvest which was the largest ever recorded. The sale of the surplus was hampered, however, by high domestic production costs. On the other hand, the amount of land devoted to the cultivation of cotton decreased significantly, and the harvest fell by 33%.

Important factors in the performance of the livestock industry included the increases registered in the production of poultry meat, which was facilitated by the importation of inputs, and in the output of beef, which was partly due to the decontrol of domestic prices and the forced slaughtering of herds in the south, where droughts and frosts resulted in a shortage of natural pasturage.

Fishery output dropped by 15% owing to the restrictions which the government placed on the anchoveta catch in response to adverse environmental conditions (see table 6). The catch for direct human consumption fell slightly because of the drop in the catch of those fish which are later sold in frozen form. The latter decrease, which was an after-effect of the termination of the country's fishing agreement with the Soviet Union in 1986, would have been much greater if it had not been for the assistance provided by the Cuban government, which put the services of specialized fishing boats at Peru's disposal.

ii) *Mining.* The decrease in reserves heightened the downturn in petroleum production activities, and the drop in the sectoral product (for the second year in a row) was so great that it became necessary to import crude oil in order to continue refining operations and maintain supply (see table 7). The level of proven and probable petroleum reserves was barely half that of 1981, a fact which can be attributed to the very small amount of investment in exploration in recent years.

The output of the metals mining subsector increased only slightly because the exchange policy proved to be unfavourable to this activity and the incentive represented by the upturn in international prices did not come into play until the second half of the year.

iii) *Manufacturing.* The industrial product rose by nearly 13%, thanks to the increase in domestic demand, the protection afforded to the domestic market, the overvaluation of the currency (which encouraged the importation of inputs), and the fact that the interest rate for domestic credit was negative in real terms (see table 8). This striking expansion, which followed upon another of

18% the year before, was achieved in spite of the fact that the smaller anchoveta catch caused the production of fish meal to decline. The growth of industry was based on a fuller utilization of installed capacity, which in some cases reached such critical levels, above all in the second half of the year, that bottlenecks arose in the chain of production causing a marked slowdown from the third quarter on. The government's delay in adjusting prices that were subject to controls resulted in a temporary accumulation of stocks in some branches of industry and an increase in informal sales and in the tax evasion associated with such sales.

Generally speaking, manufacturing expanded less than in 1986, but its growth continued to be concentrated in consumer durables and intermediate goods. The persistent increase in demand made it necessary to authorize the importation of some products to supplement domestic supply and thereby forestall speculative pressure on prices.

iv) *Construction.* With a growth rate of 16%, construction was once again the fastest-growing sector of the economy, thanks to the boost provided by private building especially of housing (see table 9). This was partly due to the drop in the relative prices of construction materials. Towards the end of the year, however, the prices of these materials rose considerably, and there were shortages of some items. The boom in residential construction was in large part attributable to the more than threefold increase in the amount of soft financing provided to lower-income strata by the Housing Bank, with the backing of the Central Reserve Bank.

c) *Employment*

Employment levels followed the trend of production. In Metropolitan Lima unemployment dropped below 5%, which was a record low for the decade and less than half the 1985 rate (see table 10). Another significant event was the turnaround in the long-term upward trend in underemployment.

In Metropolitan Lima employment increased by almost 6% thanks to the boom in manufacturing, and this sector, as well as commercial activities, managed to regain its 1980 employment level towards the end of the year. This was largely due to the introduction of legal provisions which, in order to make an increase in production viable, authorize employers to hire temporary manpower while exempting them from the standing obligations set forth in the Occupational Stability Act with respect to additional workers. In spite of the fact that the number of workers who went out on strike climbed by 25%, the number of man/hours lost was nearly halved as a result of the speed with which labour conflicts were resolved. Wage demands and protests over alleged violations of collective agreements continued to be the main causes of such conflicts, even though these categories were also the ones that showed the largest reductions (see table 11).

3. The external sector

a) *External trade*

i) *Merchandise exports.* The upturn in total exports was due to the fact that after three years of steady deterioration, the unit value of exports rose, thanks to an increase in international prices at the beginning of the last quarter. Nevertheless, the value of exports was still equivalent to only two-thirds of that registered at the beginning of the decade as a consequence both of the cumulative drop in unit value, and of the 10% decrease in volume (see tables 12 and 13).

The increase in the total value of external sales was attributable to the performance of a small number of products: copper, fish meal, petroleum, lead and some non-traditional items (see table 14). The increases registered in the second half of the year for almost all products, with the exception of coffee and iron, was another very important factor, however.

The trends observed in copper and petroleum sales were especially significant. In the case of the former, which represents one-fifth of all exports, the rise was due almost exclusively to the improvement in its international price, since volume increased by only 1%. In the latter case, the partial recovery of oil prices far outweighed the decrease in export volumes resulting from the decline of reserves. Nonetheless, in terms of the percentage breakdown, petroleum exports slid from one-fifth to one-tenth of total exports.

In terms of volumes, exports of fish meal, iron and lead showed modest increases while most other products suffered further decreases. In the case of coffee, this drop in volume was coupled with a

sharp reduction in the international price and with contraband trade in border areas. The decrease in cotton exports was a result both of a drop in production and of a substantial increase in domestic demand (see table 15).

Non-traditional exports regained their 1985 level thanks to the performance of textiles, iron and steel, and agricultural goods (see table 14). External sales of these items were boosted by the more advantageous exchange rate treatment they received during the second half of the year.

ii) *Merchandise imports.* Imports increased substantially for the second consecutive year as a result of demand pressure and the fact that foreign products were less expensive because of the overvaluation of the inti. While the volume of imports grew at a considerably slower rate than in 1986, the slight rise in their unit value marked a reversal of the trend of the five preceding years (see table 13).

Imports of inputs, which represented almost half of total imports, climbed by 17% after having increased by 48% the year before. The public sector accounted for a larger proportion of these types of imports as a result of its heavy purchases of basic inputs (foodstuffs, fertilizers, iron and steel products, fuels, etc.). Private-sector imports in this category expanded by only 6.5% due to its accumulation of stocks in 1986. After having registered an extraordinarily large increase the year before, imports of food and food inputs rose by 7% in spite of the slight drop in the prices of most of these products.

The fact that public-sector capital goods imports declined for the fifth year running was a reflection of the sluggishness of public investment. The purchases of the private sector, however, continued, although at a slower rate, to follow the upward trend which had appeared in 1986. Lastly, the rapid growth in public-sector imports under the heading "miscellaneous items and adjustments" may have been due to the recovery seen in the level of defence purchases, which had been drastically cut back in 1986 (see table 16).

iii) *The terms of trade for goods and the purchasing power of exports.* In a departure from the trend of the three preceding years, the unit values of imports and exports both increased. Nonetheless, since the unit value of exports rose by a greater proportion, the terms of trade improved by slightly more than 4%. However, because on the other hand, the volume of exports contracted once again, the purchasing power of exports remained virtually the same as in 1986 (see table 13).

iv) *Exchange policy.* Although major changes were to be observed during the course of the year, the system of multiple exchange rates continued to be used for both imports and exports. Unlike the situation in 1986, however, the exchange rate was adjusted, a number of times, and temporary administrative and para-tariff controls were instituted in an attempt to curb the growth of imports. In an effort to recover the competitiveness which the Peruvian economy had lost as a result of the freeze applying to the nominal exchange rate between August 1985 and December 1986, in the second half of the year the exchange policy was used as a means of encouraging exports. However, since the authorities also continued using this policy to adjust import prices in an attempt to dampen inflation, the exchange rate differential began to widen in June and ended up being an important factor of expansion in money issues.

In the first half of the year a policy of programmed devaluations (monthly adjustments of 2.2%) was followed which did no more than to slow down the deterioration of the real exchange rate, and the multiple exchange rate structure that had been introduced the year before continued to be applied. This scheme included six rates for exports (for which the effective exchange rate was raised on three different occasions) and two rates for imports, although most such purchases were carried out at the financial-market rate, which was 25% higher than the basic rate (called the Unified Exchange Market). The differential between the average exchange rates for exports and imports thus amounted to only 1% in June.

In response to the fact that the steep increase in imports, which had begun in the last four months of 1986, was rapidly eroding the level of reserves, the authorities set up a Foreign Exchange Budget for merchandise imports whereby priorities and allocations of varying sizes were established in keeping with the government's objectives as regards the transformation of the production structure. By this means, until July the authorities succeeded in stabilizing the annual average level of imports at around US\$2.8 billion, although this was nonetheless higher than the expected level of exports. A system of exchange authorizations was also instituted with a view to controlling the outflow of foreign exchange in some of the main service areas.

Additionally, in order to discourage imports for use in the assembly of consumer durables, and to relieve the congestion of lines of bank credit, compulsory 180-day financing was made a requirement. As a consequence of this measure, some subsidiaries firms were obliged to operate on the basis of credit from their parent companies.

In the second half of the year a series of modifications were made in the exchange policy but these changes did not halt the fall of the real exchange rate or the deterioration of the trade balance. The prohibition of foreign-currency operations outside the financial system made the parallel market unlawful and, by provoking shortages of foreign exchange in formal financial institutions, pushed up the parallel exchange rate sharply.

The exchange rate structure for imports was reorganized, and additional rates were created. This process was begun in July, and by December there were a total of seven rates. The basic rate, which was the benchmark for the other rates and had been frozen in July, was adjusted twice (by 25% in October and 32% in December). Nevertheless some foods, medicines and their inputs continued to be eligible for a rate that was lower than the basic one. The number of exchange rates for exports reached a total of eight, but in October was reduced to three: two for traditional exports and the other for non-traditional items.

The devaluation implicit in the restructuring of the multiple rate system and in the readjustment of the basic rate averaged 20% in the first half of the year, but in the second half of the year it rose to 57% for exports and 46% for imports. Thus, the exchange rate for exports regained some of the ground it had lost in real terms up until that time while the exchange rate for imports continued to decline. At the same time, the exchange-rate gap widened to approximately 11%, and this began to put pressure on primary money issue (see tables 17 and 18).

The import bias of the exchange policy was reinforced by the across-the-board application of the system of prior import licences, which took the place of exchange licences, under the provisions of the Foreign Exchange Budget. This even further diminished, albeit only temporarily, the Central Bank's ability to control the total amount of imports, which had already been greatly weakened by the political restrictions it had to deal with in order to modify the exchange rate. The growth of imports, which continued to bring down the level of international reserves, prompted the authorities to reinstitute the requirement for Central Bank approval of prior import licences for a specific group of goods in December. The net result of all this was that the average annualized level of imports for the last five months of the year was over US\$3.3 billion, and this was a major factor in the country's trade deficit.

b) *The balance on current account and capital movements*

The trade deficit exceeded US\$460 million, and was thus one of the highest of the decade. The size of the deficit was attributable to the fact that the steep increase in imports was coupled with no more than a moderate expansion of exports which, for that matter, was solely due to the upturn in international prices. Moreover, despite legal provisions designed to have just the opposite effect, exchange rate differentials encouraged Peruvians to travel abroad, which led to a deficit in non-financial services. Consequently, the trade deficit for goods and services soared to nearly US\$860 million, a figure lower than that of 1981 (see table 12).

Payments for factor services continued to decrease, mainly as a result of the decline in external obligations. The net outflow of profits remained constant and was composed entirely of retained earnings, i.e., the reinvestment of profits by foreign enterprises. All in all, the deficit on current account was over US\$1.6 billion, which was 46% higher than that of the preceding year.

Capital inflows covered a little more than half of the deficit on current account. Although most of this inflow corresponded, as in the past, to accounting entries derived from the postponement of amortization payments on the debt, there was a slight increase in disbursements. The balance-of-payments deficit amounted to US\$806 million, the highest registered thus far in the 1980s. The level of reserves therefore fell so sharply that by the end of the year the country's net reserves were equivalent to less than one week of its imports of goods and services, whereas gross reserves still represented 5.5 months of imports (see table 19).

c) *The external debt*

Peru's restrictions on the payment of debt service continued to offset its capital inflows and the possibility of new credit arrangements. Chiefly as a result of the accumulation of unpaid interest, the

balance of the total external debt climbed to US\$15.4 billion, which was an increase of about 7% (see table 20).

Only about 11% of the total obligations that fell due during the year were serviced, and most of this corresponded to the short-term debt. Only 7% of the country's medium- and long-term public debt obligations were serviced, with priority being given to the servicing of its debt with multilateral agencies. Midway through the second quarter the government took the decision to suspend the servicing of its obligations with the World Bank because it felt that the country's net flow of resources had begun to be negative, and this step prompted the World Bank to withhold disbursements of loans that had already been approved. All servicing of debts owed to the International Monetary Fund remained suspended. Thus, Peru had a negative flow in net terms only with the international private banking system, since the country continued paying the interest on its working capital loans, which amounted to an estimated US\$70 million per year.

During 1987 Peru postponed, on the basis of a unilateral decision, almost US\$1.7 billion in amortization payments and more than US\$500 million in interest payments. Its cumulative arrears between 1984 and 1987 therefore totalled US\$6.6 billion, which was more than two-fifths of its total debt balance. The service payments it made, including those corresponding to short-term commitments and payments in kind, were equivalent to one-sixth of its exports, which was just slightly over half the amount paid in 1984 (see table 21).

Credit arrangements plunged to less than US\$120 million and the whole of this amount came from governments and official agencies (see table 22). Of these resources, 75% was used to finance food imports, another 10% went to defence expenditures and only US\$5 million was used for financing investment projects.

4. Prices and wages

a) *Prices*

After having dropped in 1986, the growth rate in consumer prices reverted to three digits and was clearly speeding up in the last quarter (see table 23 and figure 2). The increase in the wholesale price index was double the rate of the preceding year because of the increase in the prices of domestic products. Although the unit value of imported goods went up a little, the impact of this was mitigated by the considerable subsidization of the exchange rate used for importing food, medicine and essential inputs.

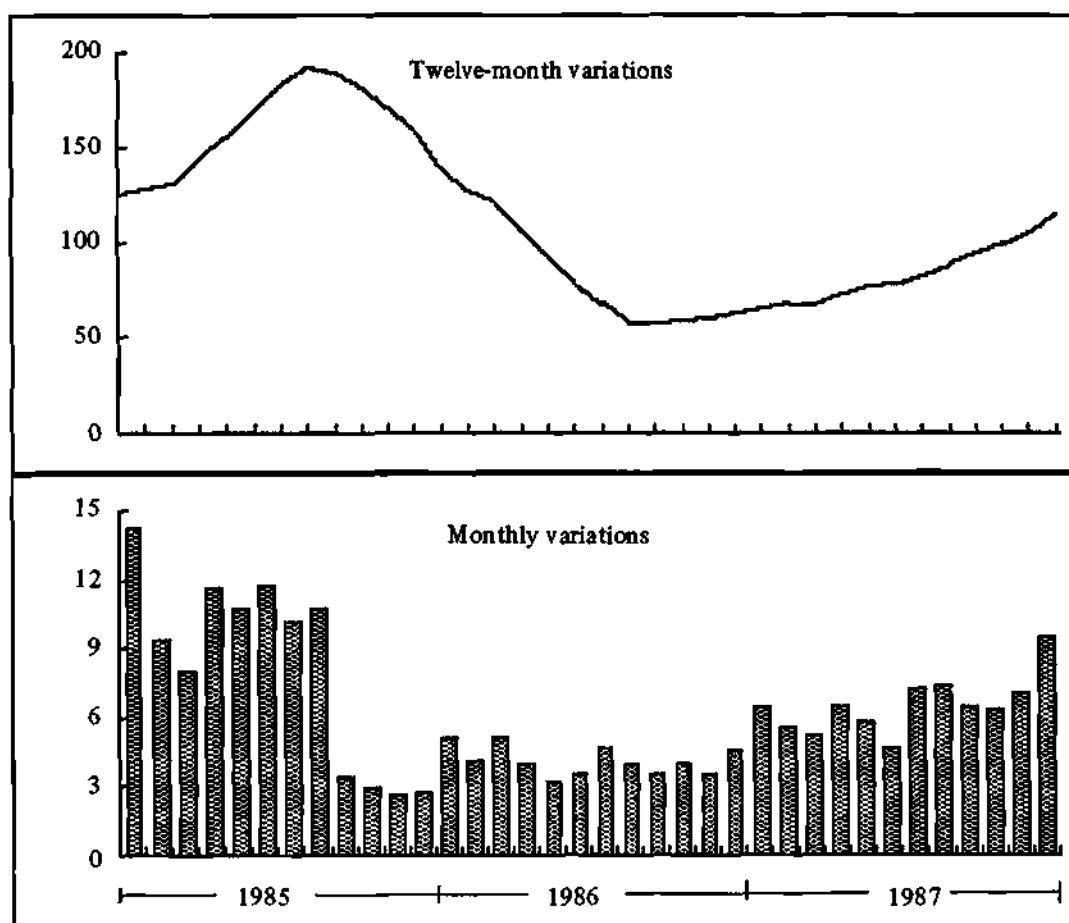
Several different factors played a part in the upsurge in inflation. The increase in production that was necessary to meet the rapidly expanding demand on the domestic market made it difficult to obtain an adequate supply of inputs and took up all of the installed capacity in a number of industries. In addition, the distortion of the price structure caused by the poor management of controlled and regulated prices was conducive to speculation and border contraband. Both of these situations gradually lessened the possibility of expanding supply.

Moreover, demand pressures associated with the increases in real wages and employment levels, which had already become a factor in 1986, were exacerbated by the expansion of the money supply. During the second half of the year the latter increased more than inflation in spite of the contractive effect of the drop in international reserves.

Cost pressures also grew stronger due to the fact that three wage adjustments were granted during the year within what was clearly a very different context from that of 1986, when the increase in production had permitted companies to reduce the relative impact of their total fixed costs since other significant variables (such as the exchange rate, the interest rate, and the prices and rates charged by public enterprises) had remained frozen and, at the same time, the State had lowered the general sales tax, thereby transferring the corresponding revenue to the private sector. The situation changed radically in 1987, however, when the capacity for absorbing wage increases had been depleted, periodic adjustments began to be made in other cost components (except for the interest rate, which was unnecessarily and fruitlessly reduced in July), and the selective tax on some widely-used consumer goods was raised by a substantial amount.

Lastly, in the second half of the year inflationary expectations were heightened as confidence in the economic policy waned since it was felt that the government's insistence on proceeding with a programme that had been designed to resolve a short-term crisis would inevitably lead to a sharpening of macroeconomic imbalances. This was compounded by the unforeseen announcement of the nationalization of the Peruvian financial system.

Figure 2
PERU: CONSUMER PRICE INDEX
 (Percentages)



Source: ECLAC, on the basis of official data.

b) *Wages*

The upward trend in average wage levels in the private sector continued, but the rate of increase was so much slower than in 1986 that the third adjustment granted in 1987 was quickly cancelled out by inflation. In real terms, salaries reached the second highest level of the decade, but wages remained below their pre-1983 levels.

The legal minimum wage and central government remunerations grew at faster rates, but were still far lower than they had been in the early 1980s (see table 24).

5. Monetary and fiscal policy

a) *Monetary policy*

The government's generally expansionary monetary policy was designed to permit an increase in consumption (see table 25). During an initial phase, which lasted until May, an attempt was made to hold the growth of monetary aggregates within a range that would be compatible with the increase in prices and with a moderate loss of international reserves, and the existence of a small exchange rate

differential did not put any additional pressure on money issue. During this stage, the main primary expansion factors were Central Bank credit to the public sector and to the Agrarian Bank. In the financial system, net domestic credit was kept in line with the increase in prices. Consequently, the increase in total liquidity was lower than the inflation rate, and confidence in the system allowed savings and fixed-term deposits in the local currency to expand faster than the rest of the monetary variables.

During the second phase, monetary aggregates rose more rapidly than prices did and there was a considerable decline in international reserves. In the political sphere, this was compounded by the parliamentary debate over the nationalization of the financial system. The expansion of Central Bank credit to the public sector sped up, and the exchange rate differential became an important factor in the growth of primary money issue. As a result, Central Bank net domestic credit climbed by 203% during the year, and the fact that the rate of increase in primary issues between January and December was lower than inflation was due solely to the contractive effects of the decrease in reserves. In the financial system as a whole, a similar trend in reserves caused the total liquidity of the system to grow at almost the same pace as inflation throughout the year despite the 148% increase seen in net domestic credit.

Nevertheless, the steady deterioration of depositors' real returns, the economic programme's loss of credibility, the loss of confidence occasioned by the announcement of the nationalization of the banking system and the consequent emergence of lending activity in the informal sector all played a part in bringing about a decline in financial intermediation similar to that observed up until mid-1985. Thus, during the second half of the year the money supply (M_1) increased by 90% whereas quasi-money expanded by only 27%, while during the same period, inflation amounted to 53%.

The interest rate on loans was reduced in July (see table 26) with a view to lowering the financial costs of business enterprises and curbing inflation. Although the interest rates on savings deposits held steady, the rates on fixed term deposits were reduced in order to prevent too great a narrowing of the financial margin.

b) *Fiscal policy*

In keeping with the increase in private demand, the fiscal policy took on an expansionary cast, although it retained its tendency to reduce the central government's role in the economy as a whole. The consolidated deficit of the non-financial public sector rose from 4.9% to 6.5% of the gross domestic product because of the growth of the central government deficit. The latter, which was equivalent to 5.5% of the product originated in a steep decrease in fiscal revenue which was too great to be offset by the drop in total disbursements.

Revenue from direct and indirect taxes fell as the tax burden declined from 11.9% to 8.7% in 1987. As a result of the reintroduction of a number of tax incentives, the level of direct taxes on income and wealth decreased from 3.1% to 2.1% of the product and from 26% to 24% of fiscal revenue. Indirect taxes were lower due to the exemptions granted in the course of 1986 despite the fact that, in various instances, the coverage of the selective excise tax — was increased and broadened. The relative decrease in the tax on fuels during the last two years was the result of a deliberate government decision, but it was not offset by higher receipts from other sources (see table 27).

The level of fiscal expenditure as measured in terms of the product declined as a consequence, firstly, of the smaller amount disbursed in the form of interest payments on the external debt (an item which fell to only 0.9% of the product) and, secondly, of a further reduction in capital expenditures, which represented 2.2% of the product and were equivalent to less than 80% of defence spending.

The deficit of public enterprises dropped to 1.1% of the product. Because the adjustments made in the prices of the majority of goods and services produced by these enterprises were insufficient, their total sales decreased from 16.3% to 12.8% of the product. However, their expenditures also declined, due to their lower purchases of goods and, much more importantly, to the almost two percentage point drop in their tax payments, much of which was accounted for by PETROPERU. As their financial capacity has been seriously compromised, public enterprises continued cutting back their investment expenditures, which thus represented a meagre 1.7% of the product.

Most of the non-financial public sector's deficit was financed with domestic resources since external credit continued to be in short supply (see table 28). Almost half of the deficit was covered by credit from the Central Bank, an expedient which constituted the main expansionary factor in monetary issues.

Table 1

PERU: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	104.4	104.7	92.4	96.8	99.0	107.8	114.8
Gross national income	102.5	100.2	89.7	92.6	95.3	105.0	114.7
Population (millions of inhabitants)	17.76	18.23	18.71	19.20	19.70	20.21	20.73
Per capita gross domestic product	101.7	99.4	85.4	87.2	86.9	92.3	95.9
Growth rates							
B. Short-run economic indicators							
Gross domestic product	4.4	0.4	-11.7	4.7	2.3	8.9	6.5
Per capita gross domestic product	1.7	-2.2	-14.0	2.1	-0.2	6.2	3.9
Gross national income	2.5	-2.2	-10.4	3.3	3.0	10.2	9.3
Rate of unemployment ^{b,c}	10.4	10.6	9.2	10.9	11.8	8.2	...
Consumer prices							
December-December	72.7	72.9	125.1	111.5	158.3	62.9	114.5
Variation between annual averages	75.4	64.5	111.1	110.2	163.4	77.9	85.8
Real salaries	1.7	7.9	-14.3	-7.7	-7.8	24.8	4.9
Real wages	-1.9	1.0	-16.5	-15.1	-13.7	33.3	9.6
Money (M ₁)	47.0	37.5	89.9	127.8	229.2	107.2	143.9
Public sector income ^d	53.0	72.8	97.5	100.9	201.6	45.5	...
Public sector expenditure ^d	65.0	74.4	104.4	89.8	175.1	57.3	...
Public sector deficit/gross domestic product ^{b,d}	6.7	7.3	9.8	6.1	2.4	4.9	6.5
Current value of exports of goods and services	-13.2	1.4	-8.6	2.4	-0.7	-12.8	9.0
Current value of imports of goods and services	23.1	-1.4	-23.5	-17.8	-7.8	29.2	23.5
Terms of trade (goods and services)	-8.4	-9.6	13.1	-5.5	-1.3	-4.1	10.9
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-869	-743	39	787	995	-307	-858
Factor services	1 020	1 034	1 132	1 166	1 014	805	769
Balance on current account	-1 889	-1 776	-1 091	-379	-19	-1 113	-1 627
Balance on capital account	1 200	1 688	1 058	628	179	825	821
Variation in international reserves (net)	-618	-57	10	317	83	-397	...
Total external debt	9 606	11 465	12 445	13 338	13 721	14 477	15 441

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bPercentages.^cNon-agricultural sector.^dConsolidated accounts of the non-financial public sector.

Table 2

PERU: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	94.8	106.1	115.1	119.3	119.6	1.6	1.2	11.9	8.5
Gross domestic product at market prices	99.0	107.8	114.8	100.0	100.0	4.7	2.3	8.9	6.5
Imports of goods and services ^b	73.4	97.4	116.6	19.3	19.6	-14.8	-6.1	32.7	19.7
Total demand	94.8	106.1	115.1	119.3	119.6	1.6	1.2	11.9	8.5
Domestic demand	94.2	109.6	121.7	96.8	102.6	-0.7	0.9	16.3	11.0
Gross domestic investment	56.1	83.0	93.4	27.5	22.4	-9.9	-10.3	48.0	12.5
Gross fixed investment	67.8	84.1	97.7	23.5	20.0	-6.2	-10.6	24.0	16.2
Construction	81.0	100.6	116.6	12.6	12.8	-	-11.0	24.2	15.9
Machinery	52.4	65.0	75.8	10.9	7.2	-15.6	-1.8	24.0	16.6
Changes in stocks	-12.0	76.6	68.1	4.0	2.4	...	...	...	...
Total consumption	109.2	120.1	132.9	69.3	80.2	1.8	3.6	10.0	10.7
General government	100.5	104.8	106.5	11.2	10.4	-4.6	3.5	4.3	1.6
Private	110.9	123.1	137.9	58.1	69.8	3.0	3.6	11.0	12.0
Exports of goods and services ^b	97.7	91.2	86.9	22.5	17.0	12.4	2.4	-6.7	-4.7

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

^bThe figures for exports and imports of goods and services were taken from IMF balance-of-payments data expressed in current dollars, which were then converted to constant 1980 values using unit value indexes calculated by ECLAC for that purpose.

Table 3

**PERU: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	99.0	107.8	114.8	100.0	100.0	4.7	2.3	8.9	6.5
Goods	96.9	104.7	111.8	51.3	50.0	6.2	2.8	8.0	6.8
Agriculture ^b	116.2	122.5	127.9	10.2	11.4	11.8	3.8	5.4	4.4
Mining	96.7	92.3	90.2	15.2	11.9	4.8	4.3	-4.6	-2.3
Manufacturing	91.7	106.3	118.6	20.2	20.9	5.5	4.9	15.9	11.6
Construction	81.1	100.6	116.5	5.7	5.8	0.8	-10.5	24.0	15.8
Basic services	101.2	110.3	118.6	7.5	7.7	0.5	3.1	9.0	7.5
Electricity, gas and water	103.8	116.4	126.4	0.9	1.0	0.5	6.0	12.1	8.6
Transport, storage and communications	100.8	109.5	117.5	6.6	6.8	0.5	2.8	8.6	7.3
Other services	104.5	114.1	121.1	40.5	42.9	3.1	3.6	9.2	6.1
Commerce, restaurants and hotels	94.5	107.6	115.6	17.8	17.9	2.5	2.2	13.9	7.4
Financial establishments, insurance, real estate and business services	110.0	115.5	124.0	9.9	10.7	-	8.7	5.0	7.4
Ownership of dwellings	107.6	110.5	113.4	2.0	2.0	1.4	0.8	2.7	2.6
Community, social and personal services	116.2	124.1	128.1	12.8	14.3	6.2	1.6	6.8	3.2
Government services	119.5	126.6	128.4	7.7	8.6	7.6	0.5	5.9	1.4

Source: ECLAC, on the basis of official figures, reweighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures. ^bIncludes livestock, forestry and fishing.

Table 4

PERU: RURAL/URBAN TERMS OF TRADE

(Indexes: 1979 = 100)

	1980	1981	1982	1983	1984	1985	1986	1987
1. Prices of agricultural products ^a	165	294	436	913	1 905	4 386	10 003	17 322
2. Prices of manufactured products ^a	145	254	411	949	2 170	6 362	8 821	12 984
3. Terms of trade (1/2)	114	116	106	96	88	69	113	133

Source: Ministry of Agriculture and National Statistical Institute.

^aMonthly average of the wholesale price index for domestically produced goods.

Table 5

PERU: INDICATORS OF AGRICULTURAL PRODUCTION

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Indexes of agricultural production (1979 = 100)	105.5	107.7	112.0	117.7	10.2	2.4	4.0	5.1
Thousands of tons								
Production of the main crops								
Raw cotton	203	291	304	202	92.8	43.4	4.5	-33.6
Rice	1 156	878	725	1 169	44.9	-24.0	-17.4	61.2
Coffee	91	91	96	98	0.1	-	5.5	2.1
Sugar cane	6 988	7 329	6 273	6 099	9.5	4.9	-14.4	-2.8
Beans	45	46	54	59	28.4	2.2	17.4	9.3
Soft maize	205	212	232	210	18.5	3.5	9.4	-9.5
Hard maize	571	490	645	704	38.7	-14.9	31.6	9.1
Potatoes	1 463	1 557	1 658	1 709	21.9	8.7	6.5	3.1
Sorghum	44	23	38	24	272.6	-50.0	65.2	-36.8
Soya	2	2	4	6	-19.0	23.5	100.0	50.0
Wheat	84	92	121	133	10.2	10.4	31.5	9.9
Production of the main livestock products								
Poultry meat	182	201	230	281	-12.0	10.7	14.4	22.2
Mutton	19	17	17	19	-10.4	-9.0	-	11.8
Pork	55	54	59	65	-5.4	-1.8	9.3	10.2
Beef	103	101	90	107	-6.9	-2.3	-10.9	18.9
Eggs	65	78	95	97	-4.3	19.7	21.8	2.1
Fresh milk	780	809	819	830	3.7	3.6	1.2	1.3

Source: Ministry of Agriculture.

^aPreliminary figures.

Table 6

PERU: INDICATORS OF FISHERY PRODUCTION

	1984	1985	1986	1987 ^a	Growth rates			
					1984	1985	1986	1987 ^a
Index of fishery production (1979 = 100)	96.0	108.0	140.4	119.4	46.3	12.5	30.0	-15.0
Thousands of tons								
Deep-sea fishing	3 288	4 110	5 530	4 275	126.3	25.0	34.5	-22.7
For direct human consumption	547	512	534	528	54.5	-6.4	4.3	-1.1
Fresh fish	186	182	218	227	34.9	-2.2	19.8	4.1
For freezing	181	177	71	45	129.1	-2.2	-59.9	-36.6
For canning	148	15	212	222	28.8	-89.9	1 313.3	4.7
For drying and salting	32	28	33	34	45.5	-12.5	17.9	3.0
For fishmeal	2 741	3 598	4 996	3 747	149.4	31.3	38.9	-25.0
Anchoveta	23	844	3 482	1 641	-80.5	3 569.6	312.6	-52.9
Other species	2 718	2 754	1 514	2 106	177.0	1.3	-45.0	39.1
Inland fishing	30	28	32	35	25.0	-6.7	14.3	9.4
Fresh fish ^b	15	14	15	18	15.4	-6.7	7.1	20.0
For drying and salting	15	14	17	17	36.4	-6.7	21.4	-

Source: Ministry of Fisheries.

^aPreliminary figures.^bIncludes river shrimps.

Table 7

PERU: INDICATORS OF MINING PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of mining production (1979 = 100)	97.2	101.8	107.1	103.3	101.3	4.7	5.2	-3.5	-2.0
Thousands of tons									
Main metal-mining products									
Copper	336	375	401	397	406	11.6	6.9	-1.0	2.3
Iron ore	4 208	3 916	4 807	4 908	5 019	-6.9	22.8	2.1	2.3
Silver ^b	1 738	1 758	1 915	1 926	2 055	1.2	8.9	0.6	6.7
Lead	213	205	211	194	204	-3.8	2.9	-8.1	5.2
Zinc	576	558	608	598	613	-3.1	9.0	-1.6	2.5
Millions of barrels									
Hydrocarbons									
Petroleum	63	67	69	65	60	6.3	3.0	-5.8	-8.2
By production zones:									
Coast	11	12	14	13	12	9.1	16.7	-7.1	-6.2
Continental shelf	9	10	10	10	9	11.1	-	-	-8.0
Eastern region	43	45	45	42	38	4.7	-	-6.7	-8.8

Source: Ministry of Energy and Mines.

^aPreliminary figures.^bKilograms.

Table 8

PERU: INDICATORS OF MANUFACTURING PRODUCTION^a

	Indexes (1979 = 100)					Growth rates			
	1983	1984	1985	1986	1987 ^b	1984	1985	1986	1987 ^b
Total manufacturing production	84.7	89.4	95.8	113.1	127.5	5.5	7.2	18.1	12.7
Fish meal	31.8	71.4	104.1	141.2	109.0	124.5	45.8	35.6	-22.8
Food, beverages and tobacco	95.3	97.7	102.1	124.1	140.2	2.5	4.5	21.5	13.0
Food	87.9	96.6	97.7	106.5	117.1	9.9	1.1	9.0	10.0
Beverages	110.6	101.1	115.5	171.2	207.2	-8.6	14.2	48.2	21.0
Tobacco	101.9	102.5	90.3	107.8	97.8	0.6	-11.9	19.4	-9.3
Textiles and clothing	89.0	95.6	107.0	114.6	123.2	7.4	11.9	7.1	7.5
Textiles	90.1	98.4	110.6	120.8	132.2	9.2	12.4	9.2	9.4
Leather and footwear	59.4	58.3	59.5	65.0	38.5	-1.9	2.1	9.2	-40.8
Paper, printing and publishing	93.5	93.2	83.6	96.8	120.7	-0.3	-10.3	15.8	24.7
Paper and paper products	70.8	70.0	65.3	80.1	98.1	-1.1	-6.7	22.7	22.5
Chemicals	91.7	93.9	98.8	120.8	140.1	2.4	5.2	22.3	16.0
Industrial chemicals	82.2	101.5	103.7	123.7	135.6	23.5	2.2	19.3	9.6
Other chemicals	93.6	75.5	84.9	115.5	150.5	-19.3	12.5	36.0	30.3
Petroleum refining	104.9	116.0	116.3	119.8	130.8	10.6	0.3	3.0	9.2
Rubber products	92.3	99.8	99.8	115.4	126.3	8.1	-	15.6	9.4
Plastic products	89.9	93.1	100.7	134.2	142.8	3.6	8.2	33.3	6.4
Non-metallic mineral products	88.8	79.5	76.4	106.7	136.0	-10.5	-3.9	39.7	27.5
Glass and glass products	85.2	89.0	76.6	110.4	130.8	4.5	-13.9	44.1	18.5
Non-metallic mineral items	90.2	77.9	75.7	101.1	135.5	-13.6	-2.8	33.6	34.0
Basic metal products	78.3	87.6	92.8	89.2	91.9	11.9	5.9	-3.9	3.0
Iron and steel	56.2	66.2	69.9	91.6	110.9	17.8	5.6	31.0	21.1
Non-ferrous metals	94.1	93.1	98.7	88.6	86.9	-1.1	6.0	-10.2	-1.9
Machinery and metal products	70.0	70.3	77.1	118.6	153.4	0.4	9.7	53.8	29.3
Plain metal products	68.1	70.6	72.0	105.5	155.1	3.7	2.0	46.5	47.0
Non-electrical machinery	66.3	50.9	52.2	101.3	119.2	-23.2	2.6	94.1	17.7
Electrical machinery	81.5	85.1	93.7	138.4	169.8	4.4	10.1	47.7	22.7
Transport equipment	53.7	56.6	73.9	114.8	146.6	5.4	30.6	55.3	27.7

Source: Ministry of Industry, Commerce, Tourism and Integration.

^aIndex of physical volume of production; annual averages.^bPreliminary figures.

Table 9

PERU: CONSTRUCTION INDICATORS

	1983	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Gross domestic product of construction (index: 1980 = 100)	107.5	108.2	96.3	119.7	138.7	0.6	-11.0	24.3	15.8
Sales of construction materials									
Index of volume (first quarter 1977 = 100)	79.9	81.6	84.1	127.3	162.9	2.1	3.1	51.4	28.0
Sales of some construction materials ^b									
Cement	1 959.0	1 935.0	1 754.0	2 213.0	2 613.0	-1.2	-9.4	26.2	18.1
Steel rods for building	116.0	126.0	113.0	168.0	191.0	8.6	-10.3	48.7	13.7
Index of construction material prices (1973 = 1)	121.1	254.5	684.7	948.4	1 461.4	110.2	169.0	38.5	54.1

Source: National Statistical Institute.

^aPreliminary figures. ^bThousands of metric tons.

Table 10

PERU: EMPLOYMENT AND UNEMPLOYMENT^a

(Percentages)

	1981	1982	1983	1984	1985	1986	1987 ^b
Non-agricultural activities							
Unemployment	10.4	10.6	9.2	10.9	11.8	8.2	...
Metropolitan Lima							
Unemployment	6.8	6.6	9.0	8.9	10.1	5.4	4.8
Underemployment	26.8	28.0	33.3	36.8	42.5	42.7	34.9
By income	21.4	24.0	29.5	33.9	...	38.7	30.8
By time	5.4	4.0	3.8	2.9	...	4.0	4.1
Adequately employed	66.4	65.4	57.7	54.3	47.4	51.9	60.3

Source: Ministry of Labour and Social Security.

^aExcludes domestic employees. ^bPreliminary figures.

Table 11

PERU: TRENDS IN LABOUR DISPUTES^a

	1985		1986		1987 ^b		Growth rates ^c		
	Work- ers affect- ed	Man/ hours lost	Work- ers affect- ed	Man/ hours lost	Work- ers affect- ed	Man/ hours lost	1985	1986	1987 ^b
Total	238	12 228	249	16 867	312	9 068	-11.5	37.9	-46.2
By economic activity:									
Agriculture and fishing	14	2 443	10	362	4	103	2 318.8	-85.2	-71.5
Mining	31	2 482	68	5 583	61	3 136	-44.5	124.9	-43.8
Manufacturing	43	2 769	75	7 196	57	3 156	54.3	159.9	-56.1
Construction	10	200	6	351	11	431	-70.6	75.5	22.8
Transport, storage and communications	36	1 589	13	662	25	286	35.5	-58.3	-56.8
Commerce and banking	48	1 130	41	1 267	20	512	3.9	12.1	-59.6
Other	56	1 615	36	1 447	134	1 444	-64.2	-10.4	-0.2
By causes:									
Remunerations	101	5 075	119	9 127	76	4 242	-15.9	79.8	-53.5
Job reinstatement	13	941	15	619	7	192	71.1	-34.2	-69.0
Economic and financial policy of the enterprise	15	2 097	3	102	9	363	975.4	-95.1	255.9
Non-fulfilment of collective agreements	24	1 533	52	5 513	46	1 298	-22.6	259.6	-76.5
Sympathy strikes	42	968	9	204	6	173	453.1	-78.9	-15.2
Rise in the cost of living	6	138	-	-	105	843	-95.6		
Regional or local reasons	4	237	2	30	-	-	-75.3	-87.3	
Other	33	923	49	1 272	63	1 954	18.8	37.8	53.6

Source: Ministry of Labour and Social Security.

^aAll values are expressed in thousands.^bPreliminary figures.^cOf man/hours lost.

Table 12

PERU: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-247	-1 889	-1 776	-1 091	-379	-19	-1 113	-1 627
Trade balance	661	-869	-743	39	787	995	-307	-858
Exports of goods and services	4 631	4 019	4 077	3 728	3 818	3 790	3 304	3 600
Goods, FOB	3 917	3 250	3 294	3 017	3 147	2 977	2 508	2 605
Real services ^b	714	770	783	711	671	813	795	995
Transport and insurance	221	286	293	262	206	257	250	260
Travel	292	263	252	209	208	300	300	350
Imports of goods and services	3 970	4 889	4 820	3 689	3 031	2 795	3 611	4 458
Goods, FOB	3 091	3 803	3 721	2 723	2 141	1 808	2 512	3 068
Real services ^b	880	1 087	1 097	966	891	986	1 099	1 390
Transport and insurance	488	359	525	447	378	293	340	415
Travel	107	175	205	191	182	266	323	390
Factor services	-909	-1 020	-1 034	-1 132	-1 166	-1 014	-805	-769
Profits	-255	-252	-118	-137	-54	-74	-43	-42
Interest received	201	204	109	115	156	133	94	61
Interest paid	-853	-970	-1 025	-1 110	-1 268	-1 073	-855	-788
Unrequited private transfer payments	-	-	-	-	-	-	-	-
Balance on capital account	900	1 200	1 688	1 058	628	179	825	821
Unrequited official transfer payments	148	162	167	220	158	134	96	132
Long-term capital	275	355	1 136	1 237	-118	-617	-1 212	...
Direct investment (net)	27	125	48	38	-89	-1	20	25
Portfolio investment (net)	-	-	-	-	-	-	-	-
Other long-term capital	248	230	1 088	1 199	-29	-616	-1 232	...
Official sector ^c	184	96	930	1 284	84	-492	-1 163	...
Loans received	1 581	1 700	2 043	2 555	1 525	902	473	...
Amortization payments	-1 389	-1 602	-1 112	-1 292	-1 441	-1 336	-1 456	...
Commercial banks ^c	-	-	-	-	-	-	-	925
Loans received	-	-	-	-	-	-	-	...
Amortization payments	-	-	-	-	-	-	-	...
Other sectors ^c	64	134	158	-85	-114	-124	-69	...
Loans received	181	294	378	131	100	44	35	...
Amortization payments	-117	-160	-221	-217	-213	-168	-104	...
Short-term capital (net)	63	103	792	-520	1 022	954	1 994	...
Official sector	82	61	-224	290	1 207	1 267	1 870	...
Commercial banks	13	32	-	-22	40	20	12	-104
Other sectors	-32	10	1 016	-788	-225	-333	113	...
Errors and omissions (net)	-413	581	-404	122	-431	-292	-55	...
Global balance ^d	653	-689	-88	-34	249	159	-289	-806
Total variation in reserves	-	-	-	-	-	-	-	-
(- sign indicates an increase)	-607	618	57	-10	-317	-83	397	...
Monetary gold	-173	-	-	-	-	-	-	...
Special Drawing Rights	94	1	-22	32	-22	23	-	...
IMF reserve position	-	-	-	-	-	-	-	...
Foreign exchange assets	-553	769	-119	-48	-246	-216	397	...
Other assets	43	-65	-65	-43	-27	84	-27	...
Use made of IMF credit	-17	-87	262	48	-22	26	27	...

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official data.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dIs equal to the total variation in reserves (of opposite sign) plus counterpart entries.

Table 13

PERU: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	-17.0	1.3	-8.4	4.3	-5.4	-15.7	3.9
Volume	-9.8	17.3	-20.8	16.2	-3.8	-2.0	-3.1
Unit value	-8.0	-13.6	15.6	-10.2	-1.7	-14.1	7.2
Imports							
Value	23.0	-2.1	-26.8	-21.4	-15.5	38.9	22.1
Volume	18.8	2.5	-24.3	-14.8	-9.7	40.7	19.0
Unit value	3.6	-4.5	-3.4	-7.7	-6.4	-1.2	2.6
Terms of trade	-11.5	-10.0	19.2	-4.0	5.0	-13.0	4.3
Indexes (1980 = 100)							
Purchasing power of exports	79.8	84.2	79.5	88.7	89.6	76.4	77.2
Volume of exports	90.2	105.8	83.8	97.4	93.7	91.9	89.0
Volume of imports	118.8	121.7	92.2	78.5	70.9	99.7	118.6
Terms of trade (FOB/CIF)	88.5	79.6	94.8	91.1	95.6	83.2	86.8

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 14

PERU: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	3 147	2 978	2 531	2 605	100.0	100.0	4.4	-5.4	-15.0	2.9
Traditional products	2 421	2 264	1 886	1 889	78.7	72.5	-1.5	-6.5	-16.7	0.2
Fishmeal	137	118	206	229	4.9	8.8	71.3	-13.9	74.6	11.2
Crop-farming products	198	225	336	177	5.8	6.8	1.5	13.6	49.3	-47.3
Cotton	23	51	39	19	1.8	0.7	-47.7	121.7	-23.5	-51.3
Sugar	49	23	22	15	0.3	0.6	40.0	-53.1	-4.3	-31.8
Coffee	126	151	275	143	3.6	5.5	8.6	19.8	82.1	-48.0
Mining products	1 301	1 162	1 034	1 152	44.9	44.2	-13.8	-10.7	-11.0	11.4
Copper ^b	442	476	449	516	19.3	19.8	-	7.7	-5.7	14.9
Iron	58	76	60	58	2.4	2.2	-22.7	31.0	-21.1	-3.3
Refined silver	227	140	107	93	8.0	3.6	-41.9	-38.3	-23.6	-13.1
Lead ^b	234	202	172	251	9.8	9.6	-20.4	-13.7	-14.9	45.9
Zinc	340	268	246	234	5.4	9.0	10.7	-21.2	-8.2	-4.9
Petroleum and petroleum products	618	645	232	274	20.3	10.5	13.6	4.4	-64.0	18.1
Other ^c	167	114	78	57	2.7	2.2	27.4	-31.7	-31.6	-26.9
Non-traditional products	726	714	645	716	21.3	27.5	30.8	-1.7	-9.7	11.0
Agricultural	74	93	72	87	1.8	3.3	32.1	25.7	-22.6	20.8
Textiles	258	244	232	257	5.9	9.9	38.7	-5.4	-4.9	10.8
Fisheries	167	124	111	103	3.1	4.0	108.8	-25.7	-10.5	-7.2
Metal products and machinery	47	30	24	22	1.4	0.8	9.3	-36.2	-20.0	-8.3
Chemicals	44	46	55	61	2.2	2.3	-2.2	4.5	19.6	10.9
Iron and steel products	59	86	79	114	2.1	4.4	7.3	45.8	-8.1	44.3
Non-metallic minerals	17	16	13	12	1.5	0.5	-	-5.9	-18.8	-7.7
Other ^d	60	75	59	60	3.5	2.3	-17.8	25.0	-21.3	1.7

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.

^aPreliminary figures.^bIncludes silver content.^cIncludes mainly gold and minor metals.^dIncludes

leading gold and silver jewellery items, wood and paper, hides and skins and handicraft items.

Table 15

**PERU: VALUE, VOLUME AND PRICES OF MAIN
EXPORT PRODUCTS^a**

	1980	1981	1982	1983	1984	1985	1986	1987 ^b	Growth rates		
									1985	1986	1987 ^b
Fishmeal											
Value	195	141	202	80	137	118	206	229	-13.9	74.6	11.2
Volume	417	315	616	205	401	508	716	742	26.7	40.9	3.6
Price ^c	469.4	448.0	328.5	386.7	342.4	232.6	287.7	308.2	-32.1	23.7	7.1
Cotton											
Value	72	63	85	44	23	51	39	19	121.7	-23.5	-51.3
Volume ^d	702	685	1 287	670	246	624	474	190	153.7	-24.0	-59.9
Price ^e	102.8	92.8	66.1	66.4	92.5	82.6	81.5	103.2	-10.7	-1.3	26.6
Sugar											
Value	13	-	20	35	49	23	22	15	-53.1	-4.3	-31.8
Volume	53	-	59	89	116	64	55	33	-44.8	-14.1	-40.0
Price ^f	11.4	-	15.2	17.9	19.4	16.8	18.4	20.6	-13.4	9.5	12.0
Coffee											
Value	140	107	114	116	126	151	275	143	19.8	82.1	-48.0
Volume	44	46	43	55	52	60	74	71	15.4	23.3	-4.1
Price ^g	146.9	107.4	119.4	96.8	112.7	115.9	170.8	92.7	2.8	47.4	-45.7
Copper											
Value	750	529	460	442	442	476	449	516	7.7	-5.7	14.9
Volume	350	324	335	292	337	363	347	351	7.7	-4.4	1.2
Price ^h	97.4	74.1	62.3	68.8	59.5	59.3	58.7	66.5	-0.3	-1.0	13.3
Iron ore											
Value	95	93	108	75	58	76	60	58	31.0	-21.1	-3.3
Volume ⁱ	5.8	5.3	5.7	4.3	4.2	5.2	4.2	4.3	23.8	-19.2	2.4
Price ^j	16.5	17.7	19.1	17.5	13.9	14.6	14.4	13.7	5.0	-1.4	-4.9
Refined silver											
Value	315	312	205	391	227	140	107	93	-38.3	-23.6	-13.1
Volume ^k	16.0	28.0	26.0	32.7	26.8	22.6	19.1	13.9	-15.7	-15.5	-27.2
Price ^l	19.7	11.1	7.9	11.9	8.5	6.3	5.6	6.7	-25.9	-11.1	19.6
Lead											
Value	384	218	215	294	234	202	172	251	-13.7	-14.9	45.9
Volume	152	146	177	191	181	174	136	146	-3.9	-21.8	7.4
Price ^m	114.4	68.0	55.2	69.6	58.7	52.7	57.4	78.3	-10.2	8.9	36.4
Zinc											
Value	211	267	268	307	340	268	246	234	-21.2	-8.2	-4.9
Volume	468	477	491	522	511	459	477	427	-10.2	3.9	-10.5
Price ⁿ	20.4	25.4	24.8	26.7	30.2	26.4	23.4	24.9	-12.6	-11.4	6.4
Petroleum and petroleum products											
Value	792	690	719	544	618	645	232	274	4.4	-64.0	18.1
Volume ^o	22.4	19.9	22.8	20.5	23.5	27.1	21.6	17.8	15.3	-20.3	-17.6
Price ^p	35.2	34.6	31.6	26.6	26.3	23.9	10.8	15.4	-9.1	-54.8	42.6

Source: Central Reserve Bank of Peru.

^aValue in millions of dollars and volumes in thousands of tons, unless otherwise indicated; prices as indicated.

^bPreliminary figures.

^cDollars per ton.

^dThousands of quintals.

^eDollars per quintal.

^fU.S. cents per

pound.

^gMillions of long tons.

^hDollars per long ton.

ⁱMillions of troy ounces.

^jDollars per troy

ounce.

^kMillions of barrels.

^lDollars per barrel.

Table 16

PERU: IMPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	2 140	1 806	2 596	3 068	100.0	100.0	-21.4	-15.6	43.7	18.2
Public sector	858	703	805	1 027	43.8	33.5	-36.1	-18.1	14.5	27.6
Private sector	1 282	1 103	1 791	2 041	56.2	66.5	-7.1	-14.0	62.4	14.0
Consumer goods	240	112	378	405	12.5	13.2	-28.4	-53.3	237.5	7.1
Public sector	23	11	142	153	4.0	5.0	-72.0	-52.2	1 190.9	7.7
Private sector	217	101	236	252	8.5	8.2	-14.2	-53.5	133.7	6.8
Intermediate goods	949	841	1 242	1 450	37.9	47.3	-7.4	-11.4	47.7	16.7
Public sector	325	296	346	497	13.6	16.2	-26.3	-8.9	16.9	43.6
Private sector	624	545	896	953	24.3	31.1	6.8	-12.7	64.4	6.4
Capital goods	771	558	761	923	35.2	30.1	-14.3	-27.6	36.4	21.3
Public sector	400	169	158	143	13.8	4.7	-12.5	-57.8	-6.5	-9.5
Private sector	371	389	603	780	21.4	25.4	-16.3	4.9	55.0	29.4
Miscellaneous items and adjustments^b	180	295	215	290	14.4	9.5	-61.0	63.9	-27.1	34.9
Public sector	110	227	159	234	12.4	7.6	-69.6	106.4	-30.0	47.2
Private sector	70	68	56	56	2.0	1.8	-30.0	-2.9	-17.6	-
Imports of main foodstuffs^c	295	204	386	414	13.3	13.5	-31.6	-30.8	89.2	7.3
Wheat	143	104	114	92	4.6	3.0	-5.3	-27.3	9.6	-19.3
Maize and sorghum	18	32	33	36	2.1	1.2	-70.5	77.8	3.1	9.1
Dairy products	29	22	50	60	1.4	2.0	-25.6	-24.1	127.3	20.0
Soya	39	33	40	50	0.7	1.6	-29.1	-15.4	21.2	25.0
Meats	21	13	72	81	0.4	2.6	-4.5	-38.1	453.8	12.5
Rice	11	-	31	36	3.0	1.2	-72.5			16.1
Sugar	34	-	46	59	1.0	1.9	-46.0			28.3

Source: Central Reserve Bank of Peru.

^aPreliminary figures. ^bDefence equipment, non-monetary gold and other imports. ^cIncluded in consumer or intermediate goods, as applicable.

Table 17

PERU: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (intis per dollar)		Effective real exchange rate indexes ^a			
			Exports		Imports	
			A	B	A	B
1970-1979	0.08		84.8	79.2	84.7	79.1
1980	0.29		100.0	100.0	100.0	100.0
1981	0.42		85.5	85.8	83.8	84.1
1982	0.70		89.2	85.6	87.1	83.5
1983	1.63		92.9	94.0	89.9	90.9
1984	3.47		89.3	95.2	86.8	92.5
1985	10.97		102.6	113.3	99.4	109.7
1986	14.58		90.5	92.2	87.9	89.4
1987 ^b	21.77	20.31	91.7	78.9	83.7	72.2
1985						
I	7.00		100.4	108.9	97.7	105.9
II	9.70		102.7	112.6	99.4	109.0
III	13.26		104.0	117.2	100.5	113.2
IV	13.94		103.3	114.3	100.0	110.7
1986						
I	14.20		98.5	105.2	95.8	102.2
II	14.23		92.0	94.1	88.9	91.0
III	14.54		87.5	87.2	84.8	84.4
IV	15.38		84.0	82.1	81.9	80.1
1987 ^b						
I	16.99	16.94	86.0	80.0	83.6	77.7
II	18.68	18.18	85.6	76.4	80.9	72.2
III	22.02	19.84	89.4	74.4	78.1	65.0
IV	29.34	26.48	105.7	84.7	92.1	73.8

Source: ECLAC, on the basis of information from the International Monetary Fund, *International Financial Statistics*.

Note: A: Based on the national products sub-index of the wholesale price index.

B: Based on the consumer price index.

^aCorresponds to the average of the indexes of the real exchange rate for the *inté vis-à-vis* the currencies of Peru's main trading partners, weighted according to the relative amount of exports or imports to or from those countries, as appropriate. Between 1970 and 1980 these weightings correspond to the average for these years; from 1980 onward, to the average for the 1982-1985 period. In these calculations, wholesale price indexes were used whenever possible. For further information on the methodology used, see the statistical appendix to the *Economic Survey of Latin America*, 1981. ^bFor 1987 the weighted average exchange rates for exports and for imports are given. These averages were used in calculating the respective effective real exchange rate indexes.

Table 18

PERU: EXCHANGE RATES BY TYPE OF TRANSACTION

(Intis per dollar; quarterly average)

	1986				1987			
	I	II	III	IV	I	II	III	IV
Average exchange rate								
for exports	14.25	14.30	14.58	15.24	17.00	18.68	22.05	29.36
Hydrocarbons	13.91	13.91	13.91	14.01	15.56	17.26	18.92	26.69
Traditional exports	14.08	14.08	14.26	14.78	15.61	17.07	19.35	28.39
Small- and medium-scale mining	14.19	14.25	15.01	15.36	16.57	18.22	22.47	29.33
Low priority non-traditional exports	14.83	14.94	15.42	16.82	19.75	21.82	26.39	32.76
High priority non-traditional exports	14.83	14.94	15.42	17.40	21.54	23.75	28.55	33.35
Average exchange rate								
for imports	14.10	14.15	14.49	15.52	16.94	18.18	19.84	26.48
Unified exchange market (MUC)	13.91	13.91	13.91	13.91	14.38	15.43	15.89	21.64
Financial market ^a	17.44	17.44	17.48	17.49	20.13	23.97	36.42	45.68

Source: Central Reserve Bank of Peru.

^aFrom August 1987 on, refers to the quotation for Foreign Currency Bank Certificates.

Table 19

PERU: EVOLUTION OF INTERNATIONAL RESERVES

Year and quarter	International assets				International liabilities			Net international reserves	Net international reserves as a percentage of imports of goods and services
	Gold ^a	SDR ^b	Foreign currency assets ^c	Total	IMF	Other ^d	Total		
1980	432	44	2 079	2 555	561	716	1 277	1 278	32.8
1981	432	40	1 351	1 823	445	606	1 051	772	15.8
1982	432	61	1 536	2 029	707	426	1 133	896	18.6
1983	432	27	1 616	2 075	698	521	1 219	856	23.2
1984	432	46	1 810	2 288	690	495	1 185	1 103	36.4
1985	451	51	1 972	2 474	727	364	1 091	1 383	52.5
1986									
I	575	52	2 065	2 692	752	494	1 246	1 446	...
II	577	54	1 801	2 432	743	511	1 254	1 178	...
III	499	56	1 779	2 334	749	408	1 157	1 177	...
IV	469	56	1 583	2 108	755	487	1 242	866	26.3
1987									
I	627	59	1 373	2 059	795	526	1 321	738	...
II	468	59	1 413	1 940	792	441	1 233	707	...
III	530	59	1 152	1 741	789	425	1 214	527	...
IV ^e	545	65	811	1 421	870	491	1 361	60	1.3

Source: Central Reserve Bank of Peru.

^aGold held by banks, either in vault or in custody abroad, and the country's gold contribution to the International Monetary Fund (IMF), at a book value lower than market prices.^bSpecial Drawing Rights.^cDemand and time deposits in foreign currency, in banks and with agents abroad, and other international assets, such as bonds in the World Bank, contribution to the Andean Reserve Fund and deposits in local banks. On average, the latter represented 5% of the amounts recorded in this column during 1982 and 1983.^dMainly short-term liabilities with foreign banks and balances with ALADI.^ePreliminary figures.

Table 20

PERU: EXTERNAL DEBT

(Millions of dollars at end of period)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Total external debt^b	9 595	9 606	11 465	12 445	13 338	13 721	14 477	15 441
Medium and long term	8 126	8 090	9 197	10 925	11 976	12 629	13 200	14 050
Public sector ^c	6 043	6 127	6 825	8 256	9 648	10 462	11 068	11 732
Central Reserve Bank	710	455	707	1 089	862	825	788	870
Private sector	1 373	1 508	1 665	1 580	1 466	1 342	1 344	1 448
Short term	1 469	1 516	2 268	1 520	1 362	1 092	1 277	1 391
Public and private enterprises ^d	902	920	1 842	1 134	978	760	789	901
Banking system	567	596	426	386	384	332	488	490
Central Reserve Bank	25	24	39	23	66	63	148	217
Banco de la Nación	450	457	178	255	212	143	158	150
Other banks	92	115	209	108	106	126	182	123
Medium- and long-term external public debt by financial source								
Total	6 043	6 127	6 825	8 256	9 648	10 462	11 068	11 732
Public agencies and government	1 849	1 346	1 195	1 321	1 508	1 793	1 942	2 060
International agencies	1 536	1 524	1 986	2 406	2 972	3 110	3 262	3 386
Socialist countries	610	784	949	1 106	1 305	1 426	1 530	1 724
Suppliers	985	930	925	1 076	1 070	1 026	987	1 020
International banks	1 063	1 543	1 770	2 347	2 793	3 107	3 347	3 542

Source: Central Reserve Bank of Peru.

^aPreliminary figures. ^bUp to 1982, includes adjustments for variations in the exchange rates of foreign currencies. ^cCentral government and public enterprises. ^dCommercial and financial credits with or without the backing of the banking system.

Table 21

PERU: EXTERNAL DEBT SERVICING^a

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Total debt service^c	1 709	2 358	2 107	1 336	2 889	2 708	2 614	2 815
Paid ^d	1 709	2 358	2 107	1 336	1 204	1 031	742	591
Unpaid	-	-	-	-	1 685	1 677	1 872	2 224
Amortization	947	1 474	1 166	525	1 655	1 497	1 558	1 800
Paid	947	1 474	1 166	525	521	441	221	116
Unpaid	-	-	-	-	1 134	1 056	1 337	1 684
Interest	762	884	941	811	1 161	984	820	736
Paid ^e	762	884	941	811	610	363	286	196
Unpaid	-	-	-	-	551	621	535	540
Back payments	-	-	-	-	73	227	236	279
Public sector	1 323	1 839	1 496	750	2 348	2 294	2 295	2 386
Paid ^d	1 323	1 839	1 496	750	663	617	495	422
Unpaid	-	-	-	-	1 685	1 677	1 800	1 964
Amortization	831	1 314	945	308	1 441	1 329	1 453	1 591
Paid	831	1 314	945	308	307	273	154	79
Unpaid	-	-	-	-	1 134	1 056	1 299	1 512
Interest	492	525	551	442	834	738	606	516
Paid	492	525	551	442	283	117	105	64
Unpaid	-	-	-	-	551	621	501	452
Back payments	-	-	-	-	73	227	236	279
Memorandum item:								
Payment in kind	-	-	-	-	46	160	111	88
Coefficients^f								
TDS/X	36.9	58.7	51.7	35.9	75.7	71.5	79.1	78.2
TDSP/X	36.9	58.7	51.7	35.9	31.5	27.2	22.5	16.4
PDS/X	28.6	45.8	36.7	20.2	61.5	60.5	69.5	66.3
PDSP/X	28.6	45.8	36.7	20.2	17.4	16.3	15.0	11.7
I/X	16.5	22.0	23.1	21.8	30.4	26.0	24.8	20.4
IP/X	16.5	22.0	23.1	21.8	16.0	9.6	8.6	5.4

Source: Central Reserve Bank of Peru.

^aIncludes in-kind debt payments.^bPreliminary figures.^cAmortization and interest on the total medium- and long-term debt plus interest on the total short-term debt. Also includes back payments of arrears.^dIncludes back payments.^eIncludes interest on the short-term debt.^fSymbols: TD = total debt; X = exports of goods and services; TDS = total debt service; TDSP = total debt service paid; PDS = public debt service; PDSP = public debt service paid; I = gross interest on total debt; and IP = gross interest on total debt paid.

Table 22

PERU: CREDIT AGREEMENTS BY FINANCIAL SOURCE^a

(Millions of dollars)

	1983	1984	1985	1986	1987
Total	1 925	785	515	339	117
Governments	276	255	189	128	97
International banks	606	-	-	-	-
International agencies	463	232	214	85	-
Socialist countries	16	1	10	33	20
Suppliers	564	297	102	93	-

Source: Central Reserve Bank and information from the Ministry of the Economy and Finance, Public Credit Office.

^aMedium and long term.

Table 23

PERU: DOMESTIC PRICES^a

(Percentages)

	1979	1980	1981	1982	1983	1984	1985	1986	1987 ^b
Variation December to December									
Consumer price index	66.7	60.8	72.7	72.9	125.1	111.5	158.3	62.9	114.5
Food ^c	75.1	38.1	68.2	72.1	135.8	102.0	153.7	60.2	89.9
Wholesale price index	60.9	53.0	66.1	64.2	136.5	115.6	166.4	37.3	72.4
Imported products	49.0	41.7	48.2	63.5	83.6	140.6	157.9	21.8	52.9
Agricultural commodities		56.7	42.3	47.7	300.3	105.7	182.9	26.2	46.0
Manufactures		41.1	48.5	64.2	75.7	143.5	156.1	21.4	53.5
Domestic products	66.4	57.7	72.7	64.5	153.2	109.9	168.6	41.2	76.6
Agricultural commodities	79.7	89.4	58.4	54.0	135.1	104.1	158.2	86.8	84.4
Manufactures	60.4	41.5	82.2	70.8	163.6	112.7	172.9	21.2	71.5
Variation between annual averages									
Consumer price index	67.7	59.2	75.4	64.5	111.1	110.2	163.4	77.9	85.8
Food ^c	74.2	58.8	76.4	52.9	125.7	106.3	149.7	85.1	65.6
Wholesale price index	70.4	53.1	68.1	56.3	113.1	120.1	173.9	60.3	51.5
Imported products	73.9	45.4	47.5	54.2	82.5	114.4	175.8	50.9	28.9
Agricultural commodities	73.2	69.4	47.4	31.0	212.6	133.4	187.6	68.9	25.5
Manufactures	72.0	44.6	47.6	55.2	77.8	113.2	175.0	49.6	29.2
Domestic products	69.6	56.3	76.1	57.0	122.9	121.6	173.5	62.7	56.8
Agricultural commodities	75.7	78.7	78.4	48.3	109.3	108.6	130.3	128.1	73.2
Manufactures	66.7	45.3	74.6	62.2	130.7	128.5	193.5	38.7	47.2

Source: National Statistical Institute.

^aMetropolitan Lima.^bPreliminary figures.^cIncludes food, beverages and tobacco.

Table 24

PERU: REAL AVERAGE REMUNERATIONS

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Remunerations (indexes: 1979 = 100)								
Private sector								
Metropolitan Lima ^b								
Salaries ^c	107.4	109.2	117.8	101.0	93.2	85.9	107.2	112.4
Wages ^d	106.1	104.1	105.1	87.8	74.5	64.3	85.7	93.9
Legal minimum wage ^e	124.1	105.2	78.4	80.2	62.3	54.7	56.3	60.8
Collective bargaining ^f								
Salaries	93.0	87.1	84.6	65.6	54.7	...	...	...
Wages	103.2	103.7	105.2	83.8	70.0	...	...	...
Central government	136.4	127.0	116.5	84.2	74.0	58.9	61.3	69.4
Growth rates								
Private sector								
Metropolitan Lima								
Salaries	7.4	1.7	7.9	-14.3	-7.7	-7.8	24.8	4.9
Wages	5.7	-1.9	1.0	-16.5	-15.1	-13.7	33.3	9.6
Legal minimum wage	27.8	-15.2	-25.5	2.3	-22.3	-12.2	2.9	8.0
Collective bargaining								
Salaries	-7.0	-6.3	-2.9	-22.5	-16.6	...	...	...
Wages	3.2	0.5	1.4	-20.3	-16.5	...	...	...
Central government	36.4	-6.9	-8.3	-27.7	-12.1	-20.4	4.1	13.2

Source: Ministry of Labour.

Note: The figures for salaries and wages prior to 1986 have been adjusted due to changes in the survey methodology.

^aPreliminary figures. ^bSurvey of establishments with 10 workers or more. ^cIntis per month. ^dIntis per day. ^eAnnual average for Metropolitan Lima. From August 1985 on the legal minimum wage applies to the whole country. ^fDoes not include unilateral increases by the employer.

Table 25

PERU: MONETARY INDICATORS

	End-of-year balances (millions of intis)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base^b	3 504	22 093	37 314	78 747	92.6	530.5	68.9	111.0
Money (M₁)	4 537	14 936	30 951	75 497	127.8	229.2	107.2	143.9
Quasi-money	14 624	27 681	39 116	73 712	139.8	89.3	41.3	88.4
In foreign currency	9 392	12 929	7 989	14 877	187.7	37.7	-38.2	86.2
(In millions of dollars)	1 713	927	573	451	...	-45.9	-38.2	-21.3
In national currency	5 232	14 752	31 127	58 835	84.7	182.0	111.0	89.0
Liquidity of financial system (M₂)	19 161	42 617	70 067	149 209	136.8	122.4	64.4	113.0
Total domestic credit (net)	16 638	30 254	63 481	157 449	101.6	81.8	109.8	148.0
To public sector	5 170	4 413	13 358	54 244	63.5	-14.6	202.7	306.1
To private sector	16 072	33 205	57 842	118 215	121.8	106.6	74.2	104.4
Other accounts	-4 604	-7 364	-7 719	-15 010	...	...	...	...
Coefficients								
Coefficient of dollarization ^c	0.49	0.30	0.11	0.10				
Monetary multipliers:								
M ₁ /Monetary base	1.29	0.68	0.83	0.96				
M ₂ /Monetary base	5.47	1.93	1.88	1.89				
Circulation velocity: GDP/M ₁	16.06	13.38	12.31	10.07				

Source: Central Reserve Bank of Peru.

^aPreliminary figures. ^bOr "primary issue", in accordance with the terminology employed in Peru.^cEquivalent to the share of M₂ represented by quasi-money in foreign currency.

Table 26

PERU: SELECTED COMMERCIAL BANK INTEREST RATES

	1983	1984	1985	1986	1987			
					I	II	III	IV
Interest rate on loans^a								
Nominal ^b	51.7	60.3	...	...	...	...	...	...
Effective ^c	78.4	97.3	114.5	40.0	40.0	40.0	32.0	32.0
Nominal interest rates on deposits								
Deposits for 90-180 days	56.7	60.3	56.8	25.5	25.5	25.5	23.0	23.0
Deposits for 720 days or more	...	...	57.9	39.5	39.5	39.5	32.0	32.0

Source: Central Reserve Bank of Peru.

^aUp to 360 days. ^bFrom August 1985 on, the Central Bank has used only the effective rate. The figures refer to the commercial bank rate for loans of up to 360 days.^cIncludes the effect of capitalization.

Table 27

PERU: CENTRAL GOVERNMENT OPERATIONS

	Millions of intis				Growth rates				Percentage of GDP ^a	
	1984	1985	1986	1987 ^b	1984	1985	1986	1987 ^b	1986	1987 ^b
A. Total income	9 646	28 235	45 331	66 424	158.5	192.7	60.5	46.5	11.9	8.7
1. Current income	9 554	27 963	45 191	66 424	156.0	192.7	61.6	47.0	11.9	8.7
a) Tax revenue	7 957	24 762	40 800	61 948	136.7	211.2	64.8	51.8	10.7	8.1
Income tax	1 422	3 459	9 853	13 126	119.1	143.2	184.9	33.2	2.6	1.7
Wealth tax	281	666	2 064	2 759	108.1	137.0	209.9	33.7	0.5	0.4
Tax on foreign trade	1 860	6 168	9 410	14 308	48.0	231.6	52.6	52.1	2.5	1.9
Taxes on production and consumption (Fuels)	4 518	15 479	21 236	34 670	203.6	242.6	37.2	63.3	5.6	4.6
Other tax revenue	536	1 106	1 185	1 925	354.2	106.3	7.1	62.4	0.3	0.3
Credit documents ^c	-660	-2 116	-2 948	-4 840	130.8	220.6	39.3	64.2	-0.8	-0.6
b) Non-tax revenue ^d	1 597	3 201	4 391	4 476	383.9	100.4	37.2	1.9	1.2	0.6
2. Capital income	92	272	140	-	195.7	-48.5				
B. Total expenditure	12 666	32 307	58 723	108 302	106.5	155.1	81.8	84.4	15.4	14.2
1. Current expenditure	10 306	27 255	47 755	91 238	101.4	164.5	75.2	91.1	12.5	12.0
Remunerations	2 928	7 412	14 750	29 955	190.1	153.1	99.0	103.1	3.9	3.9
Goods and services	579	1 741	3 367	4 987	278.4	200.7	93.4	48.1	0.9	0.7
Transfers	1 683	3 460	10 195	21 463	198.9	105.6	194.7	110.5	2.7	2.8
Interest	3 060	8 140	8 723	13 131	109.6	166.0	7.2	50.5	2.3	1.7
Domestic debt	724	2 255	2 018	6 473	47.2	211.5	-10.5	220.8	0.5	0.9
External debt	2 336	5 885	6 705	6 658	143.0	151.9	13.9	-0.7	1.8	0.9
Defence	2 056	6 502	10 720	21 702	6.6	216.2	64.9	102.4	2.8	2.9
2. Capital expenditure	2 360	5 052	10 968	17 064	131.8	114.1	117.1	55.6	2.9	2.2
Gross capital formation	2 075	4 579	8 335	10 351	246.4	120.7	82.0	24.2	2.2	1.4
Transfers	279	443	2 539	4 963	-31.4	58.8	473.1	95.5	0.7	0.7
Other	6	30	94	1 750	-50.0	400.0	213.3	1 761.7		0.2
Savings on current account (A1 - B1)	-752	708	-2 564	-24 814	-51.3			867.8	-0.7	-3.3
Economic balance (A - B)	-3 020	-4 072	-13 392	-41 878	24.1	34.8	228.9	212.7	-3.5	-5.5

Source: Central Reserve Bank of Peru.

^aSee note c, table 28.^bPreliminary figures.^cMainly tax credit certificates in respect of non-traditional exports, tax capitalization and tax payment promissory notes.^dMainly income from property, fines and deductions from pensions.

Table 28

**PERU: DEFICIT OF THE CONSOLIDATED NON-FINANCIAL
PUBLIC SECTOR AND ITS FINANCING**

	Millions of intis					Percentage breakdown				
	1983	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
Economic deficit	3 187	4 477	4 737	18 682	49 395	100.0	100.0	100.0	100.0	100.0
Central government	2 343	3 020	4 072	13 392	41 878	73.5	67.5	86.0	71.7	84.8
Public enterprises	724	1 414	1 045	6 628	8 646	22.7	31.6	22.1	35.5	17.5
Rest of public sector	120	43	-380	-1 338	-1 129	3.8	1.0	-8.0	-7.2	-2.3
Net financing	3 187	4 477	4 737	18 682	49 395	100.0	100.0	100.0	100.0	100.0
Medium- and long-term external financing	2 313	3 707	8 223	7 545	11 341	72.6	82.8	173.6	40.4	23.0
Short-term external financing	-505	-400	-392	1 716	-885	-15.8	-8.9	-8.3	9.2	-1.8
Domestic financing	1 379	1 170	-3 094	9 421	38 939	43.3	26.1	-65.3	50.4	78.8
Financial system	1 245	665	-3 657	8 840	31 712	39.1	14.9	-77.2	47.3	64.2
Deposits frozen in the Central Reserve Bank	-199	-211	-946	-14	-	-6.2	-4.7	-20.0	-0.1	-
Bonds ^b	163	182	819	207	196	5.1	4.1	17.3	1.1	0.4
Other and discrepancies	170	534	690	388	7 031	5.3	11.9	14.6	2.1	14.2
Deficit/GDP coefficient^c										
Total deficit	9.8	6.1	2.4	4.9	6.5					
Central government	7.2	4.1	2.0	3.5	5.5					
Public enterprises	2.2	1.9	0.5	1.7	1.1					
Rest of public sector	0.4	0.1	-0.2	-0.4	-0.1					

Source: Central Reserve Bank of Peru.

^aPreliminary figures. ^bBonds sold to the rest of the financial system and the private sector. ^cPercentages. The nominal GDP as computed by the National Statistical Institute for Peru's national accounts (base year: 1979) was used for these calculations. Previously, the nominal GDP corresponding to the Central Reserve Bank national accounts for 1973 were used. If the calculations were based on the latter, the total 1987 deficit would be 8.4%, that of the central government would be 7.1%, that of public enterprises would be 1.5%, and the surplus of the rest of the public sector would be 0.2%.

DOMINICAN REPUBLIC

1. Recent economic trends: Introduction and summary

In 1987 the economy of the Dominican Republic fully recovered from the recession of two years earlier and expanded significantly. The increase in gross domestic product was more than 7%, and reached almost 5% per capita, propelled by the rapid growth in construction, mining, manufacturing and basic services. Nevertheless, as a result of the severe deterioration (-13%) in the terms of trade, gross national income recovered only 3% remaining below its 1984 level (see table 1 and figure 1).

The economic policy continued under the guidelines laid down by the government that took office in August 1986. Economic growth continued to be stimulated by an aggressive public investment programme and strong support to agriculture, tourism, and the inbond assembly industries. On the other hand, to relieve pressure on demand, an attempt was made to keep wages within bounds and, in order to reduce the fiscal deficit, revenues were enhanced and current spending reduced. As a result of the decision that external debt service payments would not be allowed to hurt the domestic economy, overdue payments rose by more than US\$130 million, and hence, by the end of the year, accumulated arrears had reached nearly US\$450 million.

The vigorous expansion of aggregate demand had favourable effects on production and employment. Nevertheless, it widened the deficit in the balance of payments and, to a lesser extent, the fiscal deficit, forcing the price of foreign currency up and reactivating inflation.

As a result of the strong growth in the product and higher prices for petroleum, petroleum products and transport, the value of goods and services imports recovered substantially for the first time in the decade, approaching the 1980 level. The value of exports grew by 10%, exclusively as a result of the favourable trend in services, especially tourism and the assembly industry, while goods exports decreased for the third consecutive year, this time as a result of the simultaneous decline in physical volume and prices. Thus, the current account deficit, which had been shrinking in the previous four years, more than doubled. As the flow of foreign capital dwindled, the current account deficit had to be financed largely with international reserves.

Despite the need for additional financial resources to support the economic recovery and correct the balance-of-payments deficit, for the third consecutive year the flow of foreign capital dwindled. Except for official grants and donations and direct investment, which rose appreciably, long-term financing was reduced.

Central government real investment almost tripled, but this did not significantly augment the deficit, because current spending went down, while revenue and product increased. For the public sector as a whole, however, the result is less favourable, because of losses by public enterprises, decentralized agencies and the Central Bank, which had to meet the foreign debt payments of other government entities.

To control the balance-of-payments deficit, exchange rates were regulated at mid-year; however, an unofficial market with a much higher rate for foreign exchange then arose. The Central Bank tried to support the exchange rate, but when its reserves were exhausted it had to return to the previous system, where the price of foreign exchange equalled that of the free market.

Inflation surged again as a result of devaluations, an expansion in money supply as from September 1986 and higher prices for petroleum and petroleum products, so that by December the rate of price increases over 12 months had almost doubled that of the previous year. The minimum wage was adjusted in September, but in real terms remained 16% lower than in 1980. Real wages in general, especially those of the lower income groups, seem to have fallen also.

Most monetary and financial efforts centred on reducing the money supply. Commissions or surcharges on exports and imports were raised, and the marginal reserve for new deposits was increased to 100%; the additional revenue was spent on financing agriculture, agroindustry and the export of manufactures.

Figure 1
DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

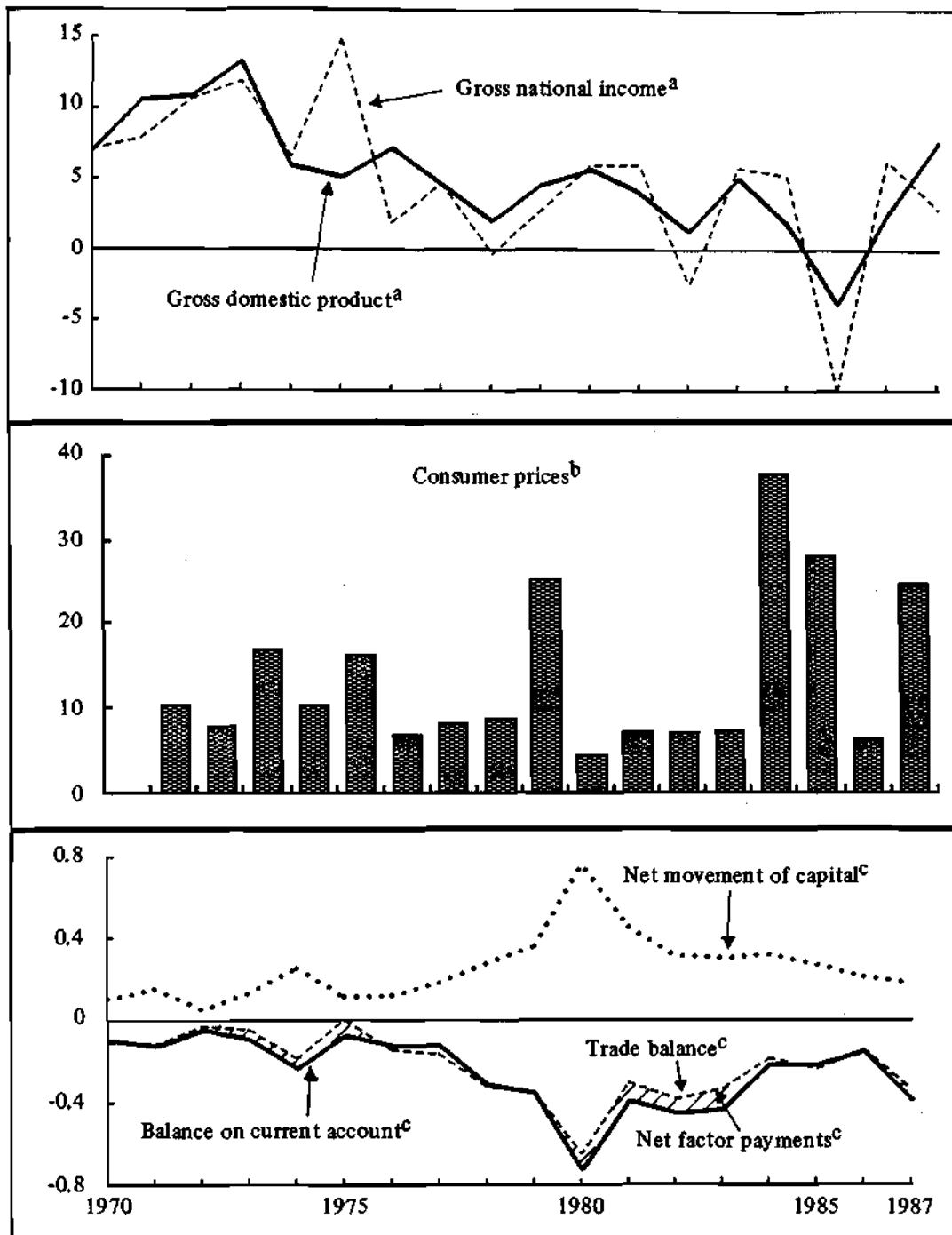
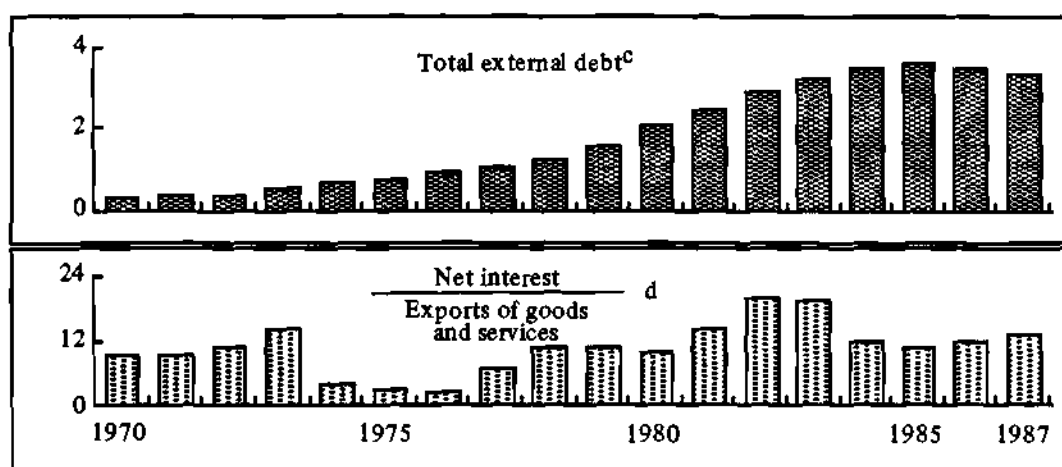


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bDecember - December percentage variation.

^cBillions of dollars.

^dPercentages.

2. Trends in economic activity

a) Total supply and demand

Total supply expanded more than 9%, owing to the upward trend in the domestic product and primarily to the increase in goods and services imports (see table 2).

The spectacular increase in gross fixed investment (about 40%) was cancelled out by the drop in consumption, since, although the economic recovery created more jobs and hence raised total wages, the deterioration in real wages undermined purchasing power. The vitality of gross fixed investment, primarily in construction, reflected the public and private construction boom. Lastly, government consumption decreased by 18% as a result of a cut in staff and services.

b) Performance of the main sectors

The strong expansion in the product was due mainly to the buoyancy of construction (44%), mining (24%) and manufacturing (9%); the production of goods thus recovered the same relative weight it had in 1980. Basic services increased by 8% because of greater total activity, but the electricity supply was insufficient. The product of the other services rose by only 2%, since the proliferation of financial institutions and the trade boom were largely offset by the drop in government services.

i) *Agriculture.* Agricultural production regained almost all the losses of the two previous years, owing to a recovery in nearly all its components. Especially significant was the contribution of exportable production, which rose by 5%, after a cumulative drop of more than 18% over the preceding three years (see table 4).

Sugar cane production, which had been declining since 1983 —its highest point in the last quarter century— increased by 7%, although the unit value of raw sugar exports fell. Because of the unfavourable prospects of the medium-term market, the State Sugar Council (CEA) continued to apply a diversification programme consisting of renting land to foreign investors for the cultivation of export products and promoting the planting of other products instead of sugar cane.

The improvement in tobacco support prices and subsidies to small- and medium-scale producers contributed to a recovery in production. Moreover, although the international cocoa price was low, cocoa production increased by 3%. Coffee was the only export product whose production declined; this was attributable to a downturn in the market and poor conditions on the plantations.

The resumption of the project on "Coffee and cocoa development" being carried out by the Agricultural Bank with a loan from the World Bank is aimed at reversing the decline in productivity in these subsectors.

The most notable feature of agricultural production for domestic consumption was the upward trend in rice and beans, which increased 3% after being provided with additional credit.

In the livestock subsector, the slaughter of cattle virtually stopped as a result of the gradual replacement of beef for domestic consumption by other protein products such as pork, poultry and eggs. An unfavourable price policy caused milk production to fall for the fourth consecutive year, for a total drop of about 40%.

The economic policy favoured production for domestic consumption. Funding by the Agricultural Bank increased by 30%, a high proportion of which was used to support rice and beans. Moreover, a considerable part of public investment was spent on improving agricultural infrastructure. A freer market policy was applied to rice, a basic item in the diet of the poor, with a consequent withdrawal of subsidies. In August, the government decreed free trading in rice, restricted the State's role to that of maintaining strategic reserves and limited its market role to that of setting support prices to producers or, in the event of speculation, stabilizing consumer prices.

ii) *Mining*. The recovery and expansion of the product (24%), after the sharp drop the preceding year, was due to the rise in international prices and the improvement in ferronickel production. Gold and silver mining again declined (by 12% and 19%, respectively) as a result of the gradual exhaustion of reserves (see table 5). Lastly, bauxite mining was resumed, this time by the State and a private company.

iii) *Manufacturing*. Production expanded by 9%, exceeding 1984 levels for the first time. The boom in construction and the increase in export activity offset the impact of frequent power failures and the increased cost of imported inputs resulting from the devaluation of the Dominican peso (see table 6).

Food processing subsectors grew rapidly, except those with an insufficient supply of inputs. After five years of recession, the production of sugar and sugar products augmented by 6% as a result of a better sugar cane harvest, more exports, and the better financial situation of the State enterprise. Nevertheless, the State Sugar Council (CEA) sold two of its mills and the surrounding plantations, as part of its continuing programme to diversify the industry.

The industries which supply construction inputs were particularly dynamic; these included cement (30%), paint (23%) and structural steel (19%). Nevertheless, since domestic demand rose even more, it was necessary to import.

The growth points were the new agroindustries and the inbond assembly industry, deliberately favoured by the sectoral policy. Nevertheless, the number of new agroindustrial plants fell from 38 to 21 from one year to the next, and jobs decreased from 3 500 to less than half that amount. The growth of the assembly industry accelerated, however, with the opening of 34 new plants, although only 10 were at the initiative of Dominican entrepreneurs. Close to 150 of the 196 assembly firms operating at the end of the year and providing employment to more than 50 000 persons were in the clothing and footwear business; these products are subject to restrictions on entry into the United States market or are threatened with protectionism.

iv) *Construction*. The product rose by 44% as a result of the government public works programme and, to a lesser extent, private construction, especially housing, thus stimulating the activities which supply inputs. Pressure on the external sector was even greater than this figure suggests, bearing in mind that both the production of inputs and the construction activity itself depend on a high imported content. On the other hand, temporary shortages and the higher dollar caused a substantial increase in the cost of building (see table 7).

The governmental public works programme was geared basically towards electric power plants, agricultural infrastructure, housing and road infrastructure. During the year, the multi-purpose López Angostura project was finished, partly funded by IDB; this will provide a continuous flow of water for irrigation and an increase in power generation.

3. The external sector

a) *General characteristics*

Goods and services exports surged, thanks to the boom in real services (23%). Nevertheless, as imports rose even more rapidly, primarily as a result of the deterioration in the terms of trade (-9%), the trade deficit widened. Furthermore, the faster outflow of factor service payments was only partially offset by revenue from unrequited transfer payments.

The current account deficit, which had been shrinking in the previous three years, almost tripled (to US\$400 million), and its significance rose from 11% to 26% of total goods and services exports, a proportion similar to that of 1981. In turn, the flow of external credit was slower than in 1986, when it had already been minimal, so that payments on the external debt had to be further delayed in order to correct the external imbalance.

b) *Merchandise trade*

i) *Exports.* The value of exported goods declined for the third consecutive year, although the volume recovered slightly (2%). A further deterioration in unit value eroded most of the recovery of the preceding year (see table 8).

The boom in minerals meant that the value of the leading traditional exports remained constant, despite marked drops in raw sugar, coffee and tobacco sales. Non-traditional exports, which had grown vigorously in recent years, contracted by almost 5% (see table 9).

The increase in volume (20%) did not offset the drop in unit price for sugar exports, and their value decreased for the third consecutive year. This was the result of a 23% contraction in volume exported to the United States, where prices are considerably higher than international prices. Although the Dominican Republic has the highest quota on the United States market, this went down from slightly over 490 000 tons in 1982/1983 to only 160 000 as a result of the contraction in demand and the United States' protectionist policy in favour of domestic products (see table 10).

Coffee exports dropped by 44% as a result of a similar drop in unit value. Although international prices tended to improve in the second half of the year, production problems prevented an increase in export volume.

The value of cocoa exports rose by 13% because of an increase in both volume (9%) and unit value (4%). Although the international price showed a tendency to decline, the country managed to receive better prices as a result of an effective marketing strategy on world markets.

Although the unit value of tobacco exports recovered by 8% after four years of decline, their total value contracted by almost 24% as a result of various foreign marketing and shipping problems, which were reflected in an almost 30% drop in volume.

Mineral exports recovered significantly. Ferronickel soared by 48% because of higher international prices, amply offsetting the sharp drop of the preceding year. The upsurge of more than 30% in the unit value of gold and silver exports meant that they expanded about 7%, although a smaller volume was exported because the exhaustion of reserves had led to a shortage of exportable supply. During the year, bauxite exports, which had been suspended since 1982, were resumed, owing to the favourable situation created by the decrease in exports from Suriname.

Non-traditional exports, which had been growing spectacularly (about 90% over the previous three years), contracted by almost 5%. The exportable supply, made up of agroindustrial products and, to a lesser extent, of semi-manufactured goods, was affected by weather conditions and a lack of financing.

At the beginning of the year exports were charged a 2% exchange commission, but this was replaced in November by an exchange deposit equal to 10% of export value. These deposits remain in the Central Bank for 90 days and are then returned to the exporters with interest at the rate of 12% per annum.

ii) *Imports.* The value of imports, which had been moving downward since 1980, increased by 22%, mainly as a result of higher volume, although there was also an appreciable rise in unit value. This trend was basically determined by imports of petroleum and petroleum products, which increased by 47% as a result of the rise in unit value (30%) and volume (17%). Other imports grew by 16%, a somewhat lower rate than in the preceding year (see table 8).

Imports of crude oil by the Dominican Petroleum Refinery (REFIDOMSA) and the foreign ferronickel producer increased by 10% because of the enhanced demand for by-products. On the other hand, the vigorous expansion (38%) in imports of petroleum products reflected the fast growth of economic activity, as well as the lack of refining capacity and the insufficiency of electric power supply. Because of frequent power failures, several companies and individuals decided to import generating plants (see table 11).

The economic recovery also resulted in more imports of intermediate and capital goods. Moreover, the lack of productive capacity in some industries, for example cement, made it necessary to augment imports.

Like exports, imports were charged a 2% exchange commission at the beginning of the year. In November, it was increased to 20%; nevertheless, some goods were exempted, such as food, inputs and capital goods for the agricultural sector, medicines and their inputs, petroleum and petroleum products, public sector imports, newsprint, books and supplies for the assembly industry.

In July, exemptions from all types of tariffs, customs duties, rates and other import and import consumption taxes were suspended for a period of two years. They continued to apply, however, to imports of inputs for new industries producing commodities or finished goods for domestic consumption, inputs for the assembly industry and commodities and capital goods for agriculture and tourism.

c) *Real services and factor payments*

The balance of real services remained quite positive, but although its expansion rate was very high (20%), it was lower than in previous years. The growth of net revenue for travel covered only the expansion of net outlay for transport and insurance services, and the increase was thus due to the very favourable performance of the other services, including income from the assembly industry.

Income from travel regained its 12% growth rate, but this was still the lowest rate in the decade, despite government efforts to promote this activity through tax exemptions and subsidies. During 1987, 3 000 hotel rooms were added, making a total of 12 000, representing third rank in hotel capacity, after Jamaica and the Bahamas, among the Caribbean islands. In turn, outlay for travel services increased (6%) for the second consecutive year, but remained significantly lower than in 1980.

The very favourable trend in the inbound assembly industry was not equally reflected in net income, which grew by 14%, since the devaluation of the peso caused dollar wages to shrink and partially offset the effects of increased employment. Income from the assembly industry —included in the list of other services— rose to approximately US\$100 million, representing some 6% of goods and services exports.

Net factor payments grew by 22%, a much higher rate than in the previous five years, to more than US\$300 million; this accounted for one-fifth of all goods and services exports, or a higher proportion than in the previous three years, but lower than that of 1981 and 1982. Interest payments, which represent a large share of the total, appear to have been affected by a review of maturities.

Unrequited private transfer payments, consisting basically of remittances from Dominicans living abroad, increased by 7%, after stagnating the previous year (see table 12).

d) *The exchange policy*

The economic recovery which began in 1986 stimulated a demand for foreign exchange. This, together with persistent problems of the balance of payments, pushed the dollar up by 50% (36% in real terms). At mid-year, the exchange rate was fixed, and a black market consequently developed. Since the exchange rate was set lower than that of the free market, while the Central Bank regulated the foreign exchange supply, the price of the dollar on both the official and the unofficial market dropped at different rates in July and August. In September, in response to the Monetary Board's control measures aimed at obtaining foreign exchange from tourism and remittances from Dominican citizens living abroad, speculation intensified. The gap between the unofficial and official rates continued to widen, and in October the price of foreign currency on the black market (4.54 pesos per dollar) was 30% higher. This caused a sharp drop in the foreign exchange obtained by the Central Bank (see table 13).

The monetary authorities tried to keep the peso at par by decreasing reserves; nevertheless, in November they decided to combine the official exchange rate with the parallel rate, leaving the peso free. The system at the end of the year was that of a single exchange rate and two separate markets: the official market, which received the foreign exchange from goods and services exports, the inbond assembly industry, foreign investment, official grants and donations and credit cards, using these funds to pay for petroleum, the foreign debt and priority imports; and the free market, which received funds from tourism, remittances from Dominican citizens living abroad, reinsurance and private funds, using these funds for private sector imports of goods and services, public sector non-priority imports, travel, private sector external debt, credit cards, reinsurance, profit remittances and capital repatriation.

e) *The current account deficit and its financing*

The increase in the current account deficit was not accompanied by a rise in net unrequited capital inflow; the latter, following the trend begun two years before, decreased once again, as a result of a more than 70% drop in the inflow of long-term capital. Although direct investment surged (78%), credit to the official sector became negative, as amortization payments surpassed loans received by US\$20 million.

Short-term capital inflow, which had been negative since 1983, increased by US\$18 million, while grants and donations more than tripled after an abrupt drop in 1986. Nevertheless, external financing was insufficient to cover the current account deficit. Net international reserves thus diminished by almost US\$150 million, a figure similar to the increase in arrears in principal and interest payments on the external debt.

f) *External indebtedness*

Since the country lacked the capacity to make the scheduled amortization and interest payments, the government which took office at the end of the previous year decided that the debt would be paid in accordance with the availability of funds. Nevertheless, in 1987, the search for solutions to the problems of insolvency was begun. The first steps were taken in a programme of debt conversion through investments, and talks with the IMF continued concerning a monitoring arrangement to enable the country to renegotiate its debt without being subject to a severe adjustment programme.

As a result of this government decision, arrears (principal and interest) increased by 130 million during the year, reaching some US\$450 million as at 31 December. Sixty per cent of these arrears corresponded to the Club of Paris, 11% to the Venezuelan Investment Fund, and 8% to the central banks (see table 14).

The delay in payments and the government's reluctance to sign an agreement with the International Monetary Fund caused a reduction in the flow of external credit. During the year, the World Bank granted no new loans, and the availability of credit lines was considerably restricted. The IDB authorized the expansion of a line of credit only for financing exports and for a non-reimbursable technical co-operation programme for training people engaged in agricultural activities, in the amount of US\$480 000.

The medium- and long-term external debt —without taking into account arrears in principal and interest payments which the government considered a short-term debt— went down for the second consecutive year, to slightly over US\$3 billion. This decrease was the result of a slowdown in capital flow, since at the end of the year arrears in principal and interest payments reached US\$305 and US\$144 million respectively. The breakdown of the debt by type of creditor shows the predominance (70%) of loans from bilateral sources and commercial banks. As medium- and long-term debt dropped, its ratio to exports improved appreciably, while the net interest/export coefficient rose from 12% to 14%.

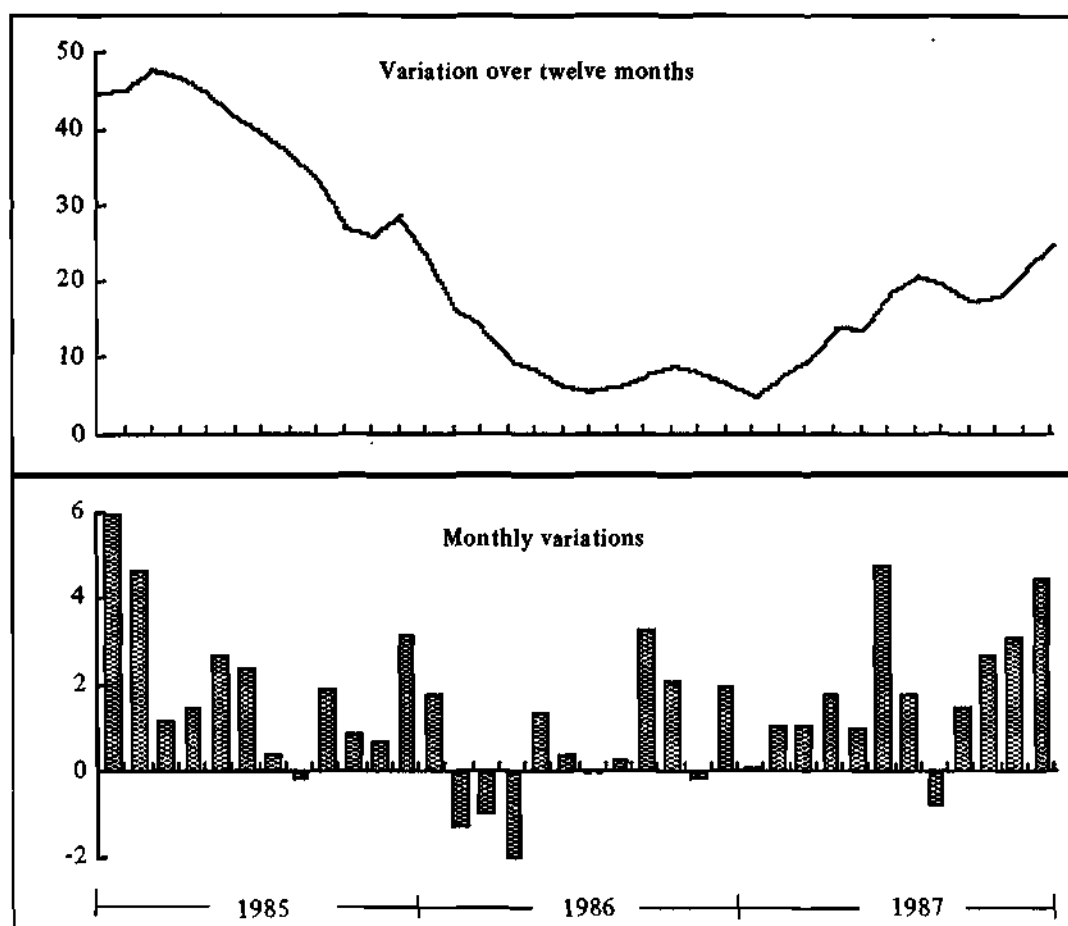
4. Prices and wages

By the middle of the year, prices had begun to rise more rapidly, to the point where the variation in the consumer price index over 12 months had reached 25% by December, quadrupling that of the end of 1986 (see table 15 and figure 2). This was caused by the devaluation of the Dominican peso, at a faster rate beginning in September; the increase in the cost of petroleum products in November; the expansion of the money supply which had begun the previous year; the shortage of certain products and the elimination of rice subsidies.

The index for food, beverages and tobacco, with a weight of 52%, rose above the average, largely as a result of the strong impact of the devaluation on the price of inputs and final goods. The elimination of rice subsidies and the freeing of its marketing also increased the price of rice, a basic element in the common diet. Moreover, prices increased as a result of the speculation generated by shortages in some widely consumed products.

As their purchasing power declined, trade unions, tenant farmers' associations and neighbourhood and community organizations began to exert intense pressures—including a general

Figure 2
DOMINICAN REPUBLIC: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official figures.

strike at the end of July— to have the minimum wage, which had been frozen at 250 pesos a month in 1986, increased to 400 pesos. In September it was increased to 350 pesos, which meant an average annual increase of only 13% and a deterioration of 2% in the real wage, leaving it at one sixth of its 1980 level. The wage adjustment favoured only private sector workers, since the minimum wage of public servants remained frozen (see table 16).

There were no figures available on unemployment, but it is very probable that this dropped with the economic recovery, especially since the most dynamic sector was construction, which is highly labour intensive.

5. Fiscal and monetary policy

a) *Fiscal policy*

Although the income rate expanded vigorously, outlay increased even more as a result of the boom (almost 150%) in capital spending. The fiscal deficit thus increased by about 70%. This, however, hardly affected its significance with respect to product, which continued at less than 1%.

Owing to the economic recovery, the increase in prices, the devaluation of the peso and certain changes in the tax system, current income rose by 34%. This was made possible by an increase in non-tax income, since tax revenue grew less than in the previous year (25%) and almost at the same rate as the product, in current values, and there was no change in the tax ratio (13%).

Indirect taxes went down by 12%, but other taxes increased more than in 1986. Levies on foreign trade were raised by 65%, thus expanding their share in tax revenue. This increase was the result of the strong growth (82%) in import levies, owing to the greater volume of imports, the decrease in exemptions and the broadening of the tax base as a result of the devaluation of the Dominican peso. Conversely, taxes from exports declined by 26%, although their contribution to foreign trade levies is minimal. The drop in the international coffee price made it necessary to reduce the charge on coffee exports, and this was not offset by higher income from cocoa sales.

Direct taxes increased by 30%, maintaining their share of almost one-fifth of total tax revenue. Income tax grew by only 20%, because the high degree of exemptions and tax evasion meant that business taxes increased by barely 8%, in spite of the favourable performance of the economy. This was only partially offset by the 43% increase in personal income tax (employees and self-employed professionals). Property taxes almost tripled, although their share of direct taxes was scarcely one-sixth.

Indirect taxes on sales of merchandise and services dropped 12%. Taxes on the sale of petroleum and petroleum products also fell with the rise in the price of crude oil and its derivatives on the international market. This forced the government to discontinue the sales tax and raise the domestic prices of these products. Conversely, revenue from the value added tax increased 50%, as an effect of the higher rate of economic activity and the broadening of the application of this tax over a larger number of service activities (transport and machinery rentals).

The expansion of non-tax income resulted from the greater contributions of the State-owned gold and silver mine company and the transfer of all the profits of the national lottery to the government.

Current spending declined by 9%, after several years of continuous growth. Wages fell by 3%, with the reduction in federal government employees and a contraction of almost 23% in current transfers.

The drop in spending together with a significant increase in revenue caused current saving, which had already risen considerably the year before, to soar by 160%, allowing for the financing of most of the capital expenditure.

The trend in capital outlay contrasted with that of current spending. Real investment almost tripled and capital transfers increased 62%, pushing capital expenditure up by 150%. Total outlay consequently grew by 35%, a higher rate than that of income. This resulted in a deficit of 160 million, equivalent to 5% of total expenditure. The deficit was financed, as in the last three years, with foreign resources, of which 63 million corresponded to grants and donations (see table 17).

The balance of central government finances can be considered relatively satisfactory. On the other hand, according to partial information, the consolidated financial and non-financial public sector deficit grew considerably as the result of losses by some public enterprises, the rising deficits of

decentralized institutions and the Central Bank's operational losses. This institution has been partially paying the public sector debt service and contributing the counterpart funds in domestic currency for some external loans.

b) *Monetary policy*

The monetary and financial policy at the beginning of the year successfully counteracted the effects of the expansionist measures prevailing in the second half of 1986: exchange commissions on exports and imports were fixed, restrictive measures were applied to financial institutions, imposing a legal reserves requirement (initially 7%, later 10%), and a marginal reserve requirement was applied to commercial banks of half the increase in deposits over the average of the last quarter of 1986. Later, with the expansion of monetary issue, the marginal reserve requirement was increased in May to 100% of new deposits. The funds deposited were used for financing agriculture, agroindustry, and the export of manufactures. The use of the marginal reserves to provide credit to specific sectors primarily favoured agriculture.

Efforts to regulate and limit the growth of financial institutions, including banks and exchange offices continued, with only partial success, since most informal organizations are outside of government control.

The most important measure adopted by the monetary authorities was the regulation of exchange beginning in June. The Central Bank took over total control of the buying and selling of dollars until its reserves were exhausted and it had to return to the old exchange system.

At the end of the year, the Monetary Board approved a new system of legal reserves for commercial banks that allowed for better monetary control and greater flexibility in the allocation of financing.

The money supply increased on average by 40% —31% from December to December— while the product grew by 24% in current values (see table 18).

Credit increased by 21%, largely to the private sector (24%) while that of the public sector rose by only 16%, which was nevertheless a fairly large increase over previous years. An examination of the distribution of loans granted by the commercial banks shows a high preponderance of credit to the agricultural sector, which received two-thirds of the financing generated by these institutions during the year, while credit to manufacturing dropped by 3% (see table 19).

Lastly, the increase in prices, the inappropriate passive interest rates and the devaluation affected the trend in quasi-money, which remained virtually at a standstill after its spectacular expansion the previous year.

Table 1

DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	104.0	105.3	110.6	112.5	108.1	110.8	119.1
Gross national income	106.0	103.3	109.2	114.9	102.4	108.8	112.0
Population (millions of inhabitants)	5.84	5.98	6.12	6.27	6.42	6.57	6.72
Per capita gross domestic product	101.5	100.4	102.9	102.3	96.1	96.2	101.1
Growth rates							
B. Short-term economic indicators							
Gross domestic product	1.3	5.0	1.8	-3.9	2.5	7.5	
Per capita gross domestic product	1.5	-1.1	2.6	-0.6	-6.1	0.2	5.1
Gross national income	6.0	-2.5	5.8	5.2	-10.8	6.3	3.0
Consumer prices							
December-to-December	7.4	7.1	7.7	38.0	28.3	6.5	25.0
Variation between annual averages	7.5	7.6	7.0	24.4	37.5	9.7	15.9
Real minimum wage	-7.0	-7.1	-6.5	1.8	-2.4	7.2	-2.2
Money	14.0	10.7	6.7	48.5	16.8	46.8	31.2
Current income of government	4.5	-18.0	21.6	27.0	41.6	31.1	33.6
Total expenditure of government	1.4	-7.4	15.5	9.2	48.0	20.8	35.2
Fiscal deficit/total expenditure of government	15.0	24.7	20.7	7.8	11.8	4.3	5.3
Fiscal deficit/gross domestic product	2.2	3.1	2.8	0.9	1.6	0.6	0.8
Current value of exports of goods and services	19.0	-24.5	8.8	10.3	-3.4	6.5	10.4
Current value of imports of goods and services	-5.2	-15.6	2.8	-1.3	0.3	-0.7	23.3
Terms of trade (goods and services)	10.8	-20.9	8.4	13.3	-30.4	18.0	-13.3
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-306	-393	-336	-87	-238	-140	-354
Net payments of profits and interest	277	255	297	241	226	250	306
Balance on current account	-399	-458	-438	-223	-222	-148	-400
Balance on capital account	438	312	301	320	267	208	182
Variation in net international reserves	-54	-160	-147	84	14	29	-146
Total external debt disbursed	2 549	2 966	3 313	3 536	3 690	3 525	3 420 ^b

Source: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bDoes not include US\$449 million owed for accumulated arrears in principal and interest payments.

Table 2

DOMINICAN REPUBLIC: TOTAL SUPPLY AND DEMAND

	Index 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	103.1	106.0	115.9	129.5	126.0	1.3	-3.0	2.8	9.4
Gross domestic product at market prices	108.1	110.8	119.1	100.0	100.0	1.8	-3.9	2.5	7.5
Imports of goods and services ^b	85.8	89.7	105.1	29.5	26.0	-0.8	1.1	4.4	17.2
Total demand	103.1	106.0	115.9	129.5	126.0	1.3	-3.0	2.8	9.4
Domestic demand	95.3	100.1	106.5	110.0	98.3	1.9	-10.5	5.0	6.5
Gross domestic investment	83.9	93.8	130.7	24.9	27.3	-2.5	-4.8	11.7	39.3
Gross fixed investment	87.1	97.1	134.9	23.6	26.8	0.7	-6.1	11.4	38.9
Construction	97.6	111.9	161.4	14.6	19.8	0.2	-14.1	14.6	44.3
Machinery	70.1	73.0	91.7	9.0	6.9	2.3	18.8	4.3	25.5
Public	70.2	102.3	...	5.2	...	-40.8	39.2	45.8	...
Private	91.9	95.6	...	18.4	...	11.3	-12.0	4.0	...
Changes in stocks	22.7	31.7	51.2	1.2	0.5				
Total consumption	98.6	101.9	99.5	85.1	71.1	3.0	-11.8	3.3	-2.4
General government	138.5	148.4	122.1	7.6	7.8	-0.4	4.4	7.1	-17.7
Private	94.7	97.3	97.2	77.5	63.3	3.4	-13.7	2.7	...
Exports of goods and services ^b	146.6	139.3	168.7	19.6	27.7	-2.1	39.9	-5.0	21.1

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures. ^bThe figures for exports and imports of goods and services were taken from the IMF balance-of-payments in dollars converted to constant 1980 values by means of unit value indexes calculated by ECLAC for this purpose.

Table 3

**DOMINICA REPUBLIC: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Index 1980 = 100			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	108.1	110.8	119.1	100.0	100.0	1.8	-3.9	2.5	7.5
Goods	103.0	105.6	119.9	48.0	48.3	0.1	-6.7	2.6	13.5
Agriculture ^b	108.1	107.1	110.3	20.2	18.7	-	-5.0	-0.8	2.9
Mining	108.3	96.1	119.3	5.3	5.3	8.3	-0.1	-11.3	24.1
Manufacturing	97.1	103.8	113.2	15.3	14.6	-2.4	-7.1	6.9	9.0
Construction	97.2	112.3	161.4	7.2	9.8	0.1	-15.4	15.5	43.7
Basic services	106.1	109.6	118.8	5.9	5.9	-	-5.1	3.3	8.4
Electricity, gas and water	121.2	127.9	140.0	0.5	0.5	12.5	4.9	5.6	9.4
Transport, storage and communications	104.9	108.1	117.1	5.5	5.4	-1.0	-6.0	3.1	8.3
Other services	113.8	116.3	118.3	46.1	45.8	3.7	-0.9	2.2	1.7
Commerce, restaurants and hotels	100.8	100.6	106.6	15.8	14.1	-1.2	-7.6	-0.2	6.0
Financial establishments, insurance, real estate and business services	126.0	133.9	135.7	12.0	13.6	14.2	3.5	6.3	1.3
Ownership of dwellings	107.1	108.3	110.8	8.4	7.8	2.0	1.0	1.1	2.3
Community, social and personal services	117.0	118.3	117.1	18.3	18.0	1.4	1.5	1.2	-1.1
Government services	119.0	118.4	112.2	8.3	7.8	3.0	1.1	-0.5	-5.2

Source: ECLAC, on the basis of official figures, reweighted on the basis of the 1980 current price structure. Consequently the results do not necessarily coincide with those published by the countries in their calculations at constant prices.

^a Preliminary figures. ^b Includes the livestock, forestry and fisheries sectors.

Table 4

DOMINICAN REPUBLIC: INDICATORS OF AGRICULTURAL PRODUCTION

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of agricultural production (1970 = 100)	159.7	159.7	154.1	153.3	158.0	3.1	-	-3.5	-0.5	3.1
Crop farming	142.0	141.3	135.3	134.1	139.4	2.1	-0.5	-4.2	-0.9	4.0
For export	131.8	123.5	111.7	109.1	114.4	-0.6	-6.3	-9.6	-2.3	4.9
For domestic consumption	149.8	154.8	153.2	153.2	158.4	4.0	3.3	-1.0	-	3.4
Stock-raising	193.1	194.0	188.1	187.3	190.9	4.8	0.5	-3.0	-0.4	1.9
Fishing and forestry	227.7	236.7	243.9	251.8	258.0	2.9	4.0	3.0	3.2	2.5
Production of main crops^b										
For export										
Sugar cane	11 520	10 271	8 420	8 208	8 772	-2.4	-10.8	-18.0	-2.5	6.9
Tobacco	34	28	31	26	29	-	-17.6	10.7	-16.1	11.5
Coffee	136	144	132	137	134	7.1	5.9	-8.3	3.8	-2.2
Cocoa	33	35	35	36	37	-5.7	6.1	-	2.9	2.8
For domestic consumption										
Rice	501	507	494	487	515	12.1	1.2	-2.6	-1.4	5.7
Maize	55	84	91	59	48	12.2	52.7	8.3	-35.2	-18.6
Beans	61	67	48	49	52	3.4	9.8	-28.4	2.1	6.1
Pigeon peas	24	26	26	27	21	-	8.3	-	3.8	-22.2
Peanuts	34	35	43	47	44	9.7	2.9	22.9	9.3	-6.4
Yams	61	68	71	76	72	3.4	11.5	4.4	7.0	-5.0
Yuca	112	124	135	143	143	2.8	10.7	8.9	5.9	-
Tomatoes	165	162	165	170	173	2.5	-1.8	1.9	3.0	1.8
Plantains ^c	1 101	1 124	1 180	1 091	1 180	-9.2	2.1	5.0	-7.5	8.2
Indicators of stock-raising production										
Slaughtering										
Beef	63	66	74	77	78	6.3	4.8	12.1	4.1	1.3
Pork	2	7	7	8	9	46.5	250.0	-	14.3	12.5
Poultry	83	84	81	83	87	6.4	1.2	-3.6	2.5	4.8
Eggs ^c	395	433	408	416	433	4.2	9.6	-5.8	2.0	4.1
Milk production ^d	463	418	368	327	304	2.4	-9.7	-12.0	-11.1	-7.0

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.^bThousands of tons.^cMillions of units.^dMillions of litres.

Table 5

DOMINICAN REPUBLIC: INDICATORS OF MINING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of mining production (1970 = 100)	548.1	594.0	593.5	526.9	653.8	8.2	-0.1	-11.2	24.1
Production of the main minerals									
Ferronickel ^b	43	64	67	58	86	21.0	4.5	-13.8	48.6
Gold ^c	370	338	329	286	251	-4.4	-2.9	-13.1	-12.2
Silver ^c	1 623	1 208	1 581	1 356	1 093	-9.1	31.0	-14.2	-19.4

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.^bThousands of tons.^cThousands of troy ounces.

Table 6

DOMINICAN REPUBLIC: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Index of manufacturing production (1970 = 100)	205.1	217.1	208.9	216.8	237.2	-3.0	-3.8	3.8	9.4
Food, beverages and tobacco	180.5	197.5	193.1	199.2	216.2	-0.8	-2.2	3.1	8.6
Food	188.7	180.0	173.4	174.4	190.9	-2.5	-3.7	0.6	9.5
Sugar and sugar products	113.0	115.6	93.9	85.9	91.4	-6.2	-18.8	-8.5	6.4
Other foodstuffs	243.4	226.7	230.9	238.4	263.0	-1.1	1.9	3.3	10.3
Beverages	158.1	296.0	294.4	322.5	354.3	3.7	-0.5	9.6	9.8
Tobacco	147.6	173.4	184.8	195.9	190.5	2.8	6.6	6.0	-2.7
Other manufacturing industries	281.2	277.9	258.0	271.4	302.2	-7.6	-7.2	5.2	11.4
Production of some major manufactures									
Raw sugar ^b	911	1 025	832	774	827	-6.6	-18.8	-7.0	6.8
Refined sugar ^b	102	109	88	67	86	-5.7	-19.3	-23.9	28.4
Hulled coffee ^b	51	72	66	69	67	6.0	-8.3	4.5	-2.9
Wheat flour ^c	3 346	3 737	4 664	5 178	5 653	-	24.8	11.0	9.2
Rum ^d	18	26	24	28	33	29.7	-7.7	16.7	17.9
Beer ^d	78	95	103	109	112	-4.1	8.4	5.8	2.8
Cigarettes ^e	222	184	196	208	202	-15.8	6.6	6.0	-2.9
Cement ^b	1 015	1 143	997	922	1 197	3.5	-12.8	-7.5	29.8
Other indicators of manufacturing production									
Consumption of electricity by industry ^f	720	662	629	694	770	-7.9	-5.0	10.3	11.0

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.^bMillions of tons.^cThousands of quintals.^dMillions of litres.^eMillions ofpackets of 20. ^fMillions of kWh.

Table 7

DOMINICAN REPUBLIC: CONSTRUCTION INDICATORS

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Area constructed (thousands of m ²) ^b	1 179	1 004	868	889	1 160	-14.6	-13.5	2.4	30.5
Housing	879	692	639	466	-	-11.1	-7.7	-27.1	-
Production of some building materials									
Structural steel ^c	51	79	73	101	120	3.9	-7.6	38.4	18.8
Cement ^c	1 015	1 143	997	923	1 197	3.5	-12.8	-7.4	29.7
Paint ^d	2 993	2 180	2 616	3 140	3 870	-13.7	20.0	20.0	23.2

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures. ^bBuilding permits granted. ^cThousands of tons. ^dThousands of gallons.

Table 8

DOMINICAN REPUBLIC: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	23.5	35.4	2.3	10.6	-14.9	-2.2	-1.5
Volume	0.8	-7.6	10.0	2.2	0.7	-9.3	2.4
Unit value	22.5	-30.0	-7.0	8.2	-15.5	7.8	-3.8
Imports (FOB)							
Value	-4.5	-13.4	1.7	-1.7	2.3	-1.5	22.4
Volume	-10.6	-11.9	16.6	0.8	3.1	4.8	16.4
Unit value	6.8	-1.7	-12.8	-2.5	-0.8	-6.0	5.2
Terms of trade	14.4	-29.2	5.1	9.8	-14.8	14.5	-8.6
Indexes (1980 = 100)							
Purchasing power of exports	115.3	75.4	87.1	97.8	83.9	87.1	81.5
Volume of exports	100.8	93.1	102.4	104.7	105.4	95.6	97.9
Volume of imports	89.4	78.8	91.9	92.7	95.6	100.2	116.5
Terms of trade	114.4	80.9	85.1	93.4	79.6	91.1	83.2

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.

Table 9

DOMINICAN REPUBLIC: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown			Growth rates			
	1985	1986	1987 ^a	1975	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	739	722	711	100.0	100.0	100.0	10.6	-14.9	-2.2	-1.5
Main traditional exports	581	546	543	91.2	85.7	76.4	5.2	-21.0	-6.0	-0.5
Raw sugar	158	134	127	62.8	30.2	17.9	3.2	-41.7	-15.5	-5.1
Furfural	17	21	20	1.9	2.2	2.8	-11.7	-16.9	29.3	-6.3
Molasses	10	11	13	1.6	1.6	1.8	21.9	-31.8	13.9	17.1
Coffee	86	113	63	3.9	5.4	8.9	24.6	-9.4	31.0	-43.9
Cocoa	58	59	66	2.8	5.3	9.3	26.2	-17.1	1.4	12.7
Tobacco	18	19	14	3.8	3.6	2.0	11.1	-27.3	5.5	-23.7
Ferronickel	121	78	115	11.4	10.5	16.2	30.0	11.2	-35.5	48.1
Gold and silver	114	112	120	3.0	27.0	16.9	-19.9	-13.8	-1.6	7.4
Bauxite	-	-	4	1.9	1.9	0.6	-	-	-	-
Main non-traditional exports	158	176	168	8.8	14.2	23.6	54.7	18.8	11.6	-4.5
Chemical fertilizer	6	7	7	-	2.0	0.9	337.1	-0.3	18.0	-6.9
Beef	13	19	17	0.5	0.3	2.4	-79.7	366.7	41.7	-7.5
Coconut emulsion	5	5	6	-	0.6	0.8	4.6	-32.4	2.2	21.3
Tinned pigeon peas	6	7	7	0.3	0.5	0.9	10.6	-23.3	28.6	-8.3
Fresh okra	6	3	5	0.1	0.1	0.7	24.2	53.7	-47.6	54.5
Taro	6	11	6	0.2	0.3	0.8	33.3	11.5	82.8	-48.1
Leather handbags	3	2	1	0.3	0.6	0.1	-1.8	-39.2	-48.4	-56.3
Other	113	123	121	7.4	9.8	16.9	86.0	16.6	8.6	-1.8

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.

Table 10

DOMINICAN REPUBLIC: EXPORT VOLUME OF MAIN PRODUCTS

	Thousands of tons					Growth rates			
	1983	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Raw sugar	917 719	828 443	655 220	449 212	543 901	-9.7	-20.9	-31.4	21.1
Furfural	35 789	32 843	28 145	34 619	35 653	-8.2	-14.3	23.0	3.0
Molasses	220 214	189 722	150 537	164 548	184 629	-13.8	-20.7	9.3	12.2
Green coffee	29 709	34 590	30 226	30 411	29 743	16.4	-12.6	0.6	-2.2
Cocoa	34 441	32 280	31 294	35 867	38 914	-6.3	-3.1	14.6	8.5
Tobacco	13 492	16 195	13 874	15 504	10 943	20.0	-14.3	11.7	-29.4
Ferronickel	53 825	62 361	67 893	53 903	78 844	15.9	8.9	-20.6	46.3
Gold and silver ^b	1 682 162	1 545 746	1 909 296	1 641 698	1 343 648	-8.1	23.5	-14.0	-18.2

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures. ^bTroy ounces.

Table 11

DOMINICAN REPUBLIC: IMPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown			Growth rates			
	1984	1985	1986	1987 ^a	1977	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	1 257	1 286	1 266	1 550	100.0	100.0	100.0	-1.7	2.3	-1.6	22.4
Consumer goods	217	254	...	...	26.9	22.6	...	-19.2	17.1	...	...
Durables	88	105	...	...	10.0	8.0	...	-9.4	19.3	...	...
Food	62	76	...	...	8.2	8.2	...	-27.5	22.6	...	...
Other	67	73	...	...	8.7	5.0	...	-21.9	9.0	...	...
Raw materials and intermediate goods	899	822	...	...	54.8	61.3	...	4.8	-8.6	...	...
Petroleum and fuels	505	427	256	376	22.2	30.0	24.3	9.5	-15.4	-40.0	46.9
Other	394	395	...	...	32.6	31.2	...	-0.8	0.3	...	...
Capital goods	141	210	...	...	18.3	16.1	...	-7.5	48.9	...	...
Unclassified	-	-	...	...	-	-	...	-	-	...	...

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.

Table 12

DOMINICAN REPUBLIC: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-725	-399	-458	-438	-223	-222	-148	-400
Trade balance	-647	-306	-393	-336	-187	-238	-140	-354
Exports of goods and services	1 271	1 513	1 142	1 242	1 370	1 323	1 409	1 556
Goods, FOB	962	1 188	768	785	868	738	722	711
Real services ^b	309	325	374	457	501	584	687	845
Transport and insurance	26	31	21	27	29	35	34	36
Travel	173	206	266	320	371	451	506	568
Imports of goods and services	1 919	1 818	1 535	1 578	1 557	1 560	1 550	1 910
Goods, FOB	1 520	1 452	1 257	1 279	1 257	1 286	1 266	1 550
Real services ^b	399	367	277	299	300	275	283	360
Transport and insurance	175	154	138	150	127	121	120	175
Travel	166	128	87	88	89	83	90	95
Factor services	-277	-277	-255	-297	-241	-226	-250	-306
Profits	-65	-	-	-	-	-	-	-89
Interest received	42	12	4	7	6	22	17	12
Interest paid	-253	-288	-259	-304	-247	-248	-267	-229
Other	-	-	-	-	-	-	-	-
Unrequited private transfer payments	200	183	190	195	205	242	242	260
Balance on capital account	758	438	312	301	320	267	208	182
Unrequited official transfer payments	5	10	15	20	60	114	29	95
Long-term capital	349	236	283	558	294	186	270	69
Direct investment (net)	93	80	-1	48	68	36	50	89
Portfolio investment (net)	-	-	-	-	-	-	-	-
Other long-term capital	256	156	285	510	226	149	220	-20
Official sector ^c	266	239	302	576	237	161	220	-20
Loans received	303	304	416	698	305	203	220	154
Amortization payments	-37	-64	-113	-122	-68	-41	-	-174
Commercial banks ^c	1	-8	-	9	-2	-	-	-
Loans received	5	3	1	11	-	-	-	-
Amortization payments	-3	-11	-1	-2	-2	-	-	-
Other sectors ^c	-11	-75	-18	-75	-9	-12	-	-
Loans received	159	30	41	16	20	7	-	-
Amortization payments	-170	-105	-58	-92	-30	-19	-	-
Short-term capital (net)	356	223	44	-289	-63	-192	-82	18
Official sector	88	22	162	-165	-114	-81	-75	18
Commercial banks	90	201	-46	-235	-22	-110	-8	-
Other sectors	178	-	-73	110	73	-	-	-
Errors and omissions (net)	49	-31	-30	13	30	158	-9	-
Global balance ^d	34	38	-146	-136	97	45	59	-218
Total variation in reserves								
(- sign indicates an increase)	-44	-54	160	147	-84	-14	-29	146
Monetary gold	-5	-5	16	13	22	-	-	...
Special Drawing Rights	9	-2	1	-	-	-31	32	...
IMF reserve position	-	-	-	-8	8	-	-	...
Foreign exchange assets	27	-21	95	-34	-91	-55	-68	195
Other assets	-	-	-	-	2	-3	-	...
Use made of IMF credit	-76	-25	48	176	-25	75	7	-49

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures. ^b Includes Other non-factor services. ^c Includes Net loans granted and Other assets and liabilities. ^d Equals total variation in reserves (of opposite sign) plus counterpart items.

Table 13

DOMINICAN REPUBLIC: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates (pesos per dollar)	Indexes of the real effective exchange rate ^a	
		Exports	Imports
1970-1979	1.18	96.0	98.1
1980	1.26	100.0	100.0
1981	1.28	99.9	93.7
1982	1.46	106.6	86.5
1983	1.60	112.2	88.1
1984	2.74	153.5	123.8
1985	3.12	126.8	106.3
1986	2.91	108.5	88.7
1987	3.84	129.3	104.3
1985			
I	3.27	141.7	118.8
II	3.17	129.9	110.1
III	3.00	119.0	99.2
IV	3.00	116.6	97.2
1986			
I	2.87	108.1	89.5
II	2.84	108.2	88.7
III	2.86	107.5	87.6
IV	3.05	109.9	88.8
1987			
I	3.17	113.5	88.9
II	3.59	124.6	99.5
III	3.89	129.5	105.3
IV	4.73	149.6	123.3

Source: ECLAC, on the basis of data from the International Monetary Fund.

^aRefers to the average of the indexes for the real exchange rate of the peso against the currencies of the Dominican Republic's main trading partners, weighted by the relative significance of exports or imports, as the case may be, to or from these countries. The weightings correspond to the average for the period 1982-1985. In these calculations, preference has generally been given to the wholesale price indexes; in the case of the Dominican Republic, the consumer price index was used. For the methodology and sources used, see the technical appendix to the *Economic Review of Latin America*, 1981.

Table 14

DOMINICAN REPUBLIC: INDICATORS OF EXTERNAL INDEBTEDNESS

	1981	1982	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total external debt ^b	2 549	2 966	3 313	3 536	3 690	3 525	3 420
Balances							
Long and medium term	...	...	...	...	2 800	...	...
Short term	...	...	...	...	890	...	...
Interest ^c	234	242	257	177	175	192	229
Percentages							
Total external debt/exports of goods and services	168.5	259.7	266.7	258.3	279.1	250.4	219.8
Net interest payments ^d /exports of goods and services	14.7	20.9	20.1	12.5	11.6	12.4	13.9

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures. Does not include US\$449 million owed for accumulated arrears in principal and interest payments.^bExternal public and guaranteed private debt.^cCorresponds to the "interest paid" entry on the balance-

of-payments current account.

^dCorresponds to the net item of the balance of payments.

Table 15

DOMINICAN REPUBLIC: DOMESTIC PRICES

	1980	1981	1982	1983	1984	1985	1986	1987
Indexes (yearly average)								
Consumer price index ^a	136.5	146.8	158.0	169.0	210.3	289.2	317.4	367.8
Food, beverages and tobacco	139.7	140.3	151.4	161.2	196.6	273.8	315.9	381.0
Housing	127.8	156.0	170.7	184.7	224.5	272.0	297.1	336.2
Wearing apparel and footwear	133.9	144.9	158.8	181.7	266.8	419.7	484.6	542.6
Other	139.8	153.8	159.8	166.4	212.2	290.0	295.2	316.5
Variation December to December								
Consumer price index	4.5	7.4	7.1	7.7	38.0	28.3	6.5	25.0
Food, beverages and tobacco	-4.3	3.1	9.5	4.0	38.0	36.2	9.4	30.6
Housing	15.0	18.6	4.7	12.3	25.0	17.2	7.0	17.3
Wearing apparel and footwear	16.1	5.9	11.6	20.6	68.9	38.1	4.8	21.6
Other	15.4	5.1	2.9	7.2	46.1	18.4	-1.6	19.0
Variation between annual averages								
Consumer price index	16.8	7.5	7.6	7.0	24.4	37.5	9.7	15.9
Food, beverages and tobacco	15.4	0.4	7.9	6.5	22.0	39.3	15.4	20.6
Housing	10.2	22.1	9.4	8.2	21.5	21.1	9.2	13.2
Wearing apparel and footwear	20.4	8.2	9.6	14.4	46.8	57.3	15.5	12.0
Other	31.8	10.0	3.9	4.1	27.5	36.7	1.8	7.2

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aBase 1 May de 1976 — 30 April 1977 = 100.

Table 16

DOMINICAN REPUBLIC: MINIMUM WAGE

	1980	1982	1983	1984	1985	1986	1987
Pesos							
Monthly minimum wage	125.0	125.0	125.0	158.3 ^a	212.5 ^b	250.0	283.3 ^c
Indexes (1980 = 100)							
Nominal	100.0	100.0	100.0	126.7	170.0	200.0	226.7
Real	93.0	86.4	80.8	82.2	80.2	86.0	84.1
Growth rates							
Nominal	-	-	-	26.7	34.2	17.6	13.3
Real	-7.0	-7.1	-6.5	1.8	-2.4	7.2	-2.2

Source: ECLAC, on the basis of official figures.

^aRaised to 175 pesos as from May.^bRaised to 250 pesos as from July.^cRaised to 350 pesos as from September.

Table 17

DOMINICAN REPUBLIC: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of pesos				Growth rates				
	1984	1985	1986	1987 ^a	1983	1984	1985	1986	1987 ^a
1. Current income	1 149	1 627	2 133	2 851	21.6	27.0	41.6	31.1	33.6
Tax revenue	1 049	1 527	2 013	2 521	18.3	34.1	45.5	31.8	25.2
Direct	274	365	454	593	8.7	22.3	33.1	24.4	30.4
Indirect	414	586	834	738	17.0	39.9	41.5	42.3	-11.5
On foreign trade	336	545	691	1 143	31.4	38.3	62.2	26.8	65.4
Other taxes	25	31	34	48	11.8	31.6	24.0	9.7	40.5
Non-tax revenue	100	100	120	329	47.6	-18.9	0.6	19.1	175.6
2. Current expenditure	1 002	1 400	1 609	1 471	10.9	14.1	39.7	14.9	-8.6
Wages and salaries	498	613	696	677	3.3	12.2	23.1	13.5	-2.7
Current transfers	224	415	578	446	16.8	19.4	84.8	39.4	-22.8
Other expenditures	280	372	335	348	22.4	13.8	32.9	-10.0	3.8
3. Current saving (1-2)	147	227	524	1 380	...	444.4	54.4	130.8	163.3
4. Capital expenditure	244	445	619	1 541	34.0	-7.3	82.0	39.3	148.9
Real investment	78	131	226	888	18.4	-33.0	67.6	72.9	292.7
Capital transfers	116	240	327	530	42.2	-1.7	106.9	36.3	62.0
Other capital expenditure	50	74	66	123	87.5	73.4	46.7	-10.6	86.7
5. Total expenditure (2 + 4)	1 246	1 845	2 228	3 012	15.5	9.2	48.0	20.8	35.2
6. Fiscal deficit (1-5)	-97	-218	-95	-161		-58.9	123.5	-56.3	69.4
7. Financing of deficit									
Net domestic financing	37	13	16	26		-78.2	-64.9	23.1	62.5
Loans received	37	13	16	26		-78.2	-64.9	23.1	60.6
Less: amortization payments	-	-	-	-					
Sales of bonds	-	-	-	-					
Net external financing	98	227	344	197		151.3	131.6	51.5	-42.6
Loans received ^b	131	269	366	209		35.1	105.3	36.1	-43.0
Less: amortization payments	33	42	22	11		-43.1	27.3	-47.6	-49.1
Other sources	-38	-22	-265	-62		-237.1	-40.3	1 078.3	-76.6
Ratios (percentages)									
Current saving/capital expenditure	60.2	51.1	84.7	89.6					
Fiscal deficit/total expenditure	7.8	11.8	4.3	5.3					
Tax revenue/GDP	10.1	11.1	13.0	13.1					
Total expenditure/GDP	12.0	13.4	14.4	15.7					
Fiscal deficit/GDP	0.9	1.6	0.6	0.8					
Domestic financing/deficit	38.0	6.0	16.8	16.1					
External financing/deficit	100.7	104.4	362.1	122.6					

Source: ECLAC, on the basis of figures provided by the Ministry of Finance and the Central Bank of the Dominican Republic.

^a Preliminary figures.^b Including grants and donations in 1986 and 1987 in the amount of 205 million and 63 million pesos, respectively.

Table 18

DOMINICAN REPUBLIC: MONETARY INDICATORS

	End-year balances (millions of pesos)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base	1 097	1 085	2 112	1 983	29.1	-1.1	94.7	-6.1
Money (M₁)	1 160	1 355	1 989	2 609	48.5	16.8	46.8	31.2
Currency outside banks	593	678	938	1 313	42.9	14.3	38.3	40.0
Current account deposits	567	677	997	1 296	54.9	19.4	47.3	30.0
Quasi-money	1 010	1 235	2 297	2 324	12.8	22.3	86.0	1.2
Money plus quasi-money (M₂)	2 170	2 590	4 286	4 934	29.5	19.4	65.5	15.1
Domestic credit	3 502	3 844	4 873	5 881	8.3	9.8	26.8	20.7
Public sector	1 998	1 992	2 107	2 439	6.8	-0.3	5.8	15.8
Private sector	1 504	1 852	2 766	3 442	10.3	23.1	49.4	24.4
Ratios^b								
Monetary multipliers								
M ₁ / monetary base	1.02	1.10	1.00	1.07				
M ₂ / monetary base	2.09	2.12	2.02	2.16				
Velocity of circulation								
GDP/M ₁	11.43	12.22	9.64	8.51				

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic and the International Monetary Fund.

^aPreliminary figures.

^bAnnual averages were used for the calculations.

Table 19

DOMINICAN REPUBLIC: LOANS GRANTED BY
COMMERCIAL BANKS

	End-year balances (millions of pesos)					Percentage breakdown		Growth rates			
	1983	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	1 746	1 907	2 230	3 277	3 958	100.0	100.0	9.2	16.9	47.0	20.8
Agriculture	138	160	197	279	734	7.3	18.6	15.7	23.4	41.8	162.9
Sugar industry	29	41	47	141	36	2.4	0.9	41.4	14.6	200.0	-74.5
Manufacturing	427	472	589	830	802	30.7	20.3	10.5	24.8	40.9	-3.4
Construction	68	79	84	158	170	5.9	4.3	16.2	6.3	88.1	7.3
Commerce	217	217	249	425	491	14.1	12.4	-	14.7	70.7	15.6
Public sector	570	596	684	833	983	19.2	24.8	4.6	14.8	21.8	18.0
Imports	70	73	72	84	104	6.7	2.6	4.3	-1.4	16.7	23.5
Exports	100	132	145	232	240	4.2	6.1	32.0	9.8	60.0	3.3
Other	127	137	163	295	398	9.5	10.1	8.1	18.7	80.8	35.2

Source: ECLAC, on the basis of figures provided by the Central Bank of the Dominican Republic.

^aPreliminary figures.

URUGUAY

1. Recent economic trends: Introduction and summary

In 1987 the Uruguayan gross domestic product grew by 5%, which meant that over the past two years it has regained three-quarters of the ground lost during the recession. This progress was achieved within the context of a slowdown in inflation (as of December the 12-month variation in consumer prices had dropped from 71% to 57%) and of a further improvement in the terms of trade, with the result that national income rose by 8%. Nevertheless, the deficit on current account was greater than anticipated and had to be financed through additional borrowing (see table 1 and figure 1).

The international situation was less stable and more complex in 1987. The terms of trade improved in spite of the substantial increase in the price of petroleum, but exports were hurt considerably by the drop in Brazilian demand resulting from the collapse of the Cruzado Plan.

On the other hand, domestic demand was stimulated in the first half of the year by the upward trend in the international prices of traditional export products, the relaxation of the country's monetary, exchange and credit policies and the delayed effect of the increased spending which stemmed from the expansion (14%) of income in 1986. The recovery of the real exchange rate and a less expansionary credit policy slowed the growth of domestic demand in the second half of the year.

The growth in demand was more than double that of the product, whereas the year before it had been only slightly greater. The most striking changes were in exports and investment. The volume of exports contracted by 8%, after an increase of 12% the preceding year, and investment climbed by 25% after having been moving downward since the beginning of the decade.

The rapid growth of total consumption continued with an increase of almost 11%. Public spending once again rose at a moderate rate, which contrasted with the dynamism of private consumption. Factors contributing to the expansion of private consumption included the increase in average real wages (5%), which followed upon the 7% hike of the preceding year, and the favourable trend seen in the labour market, where the unemployment rate in the third quarter (8%) was the lowest in the last six years and almost five points lower than in 1985.

The public sector redoubled its efforts to reduce its financial imbalance, and the magnitude of the non-financial public-sector deficit and the para-fiscal losses of the Central Bank decreased from 5% to 4% of the product. Heavy sales of public debt paper, especially short-term notes, over-financed the fiscal deficit, and this helped to reduce public-sector pressure on the credit supply of the monetary authority.

Measured in terms of the 12-month variation in consumer prices as of December, inflation dropped from 71% to 57%, thereby decreasing for the third consecutive year, although this still fell short of the original goal of 50%. The average was largely due to the steep increase in domestic demand, which was, however, tempered by the moderate trend of food prices and competition from some products from neighbouring countries.

The expansion of domestic demand led to a very sharp decrease in the trade surplus for goods and services, which plummeted to less than half its previous level, since the increase in the value of imports was more than five times greater than that of exports.

The level of net interest payments on the external debt was similar to the 1986 level, and the current account therefore showed a deficit of around US\$130 million. However, the country obtained enough external financing so that it was able not only to bridge this gap, but also to increase its international reserves by some US\$40 million.

The gross external debt climbed by 12% to nearly US\$5.9 billion by the end of the year, a figure equal to 3.8 times the country's exports of goods and services. Nevertheless, since Uruguay's international assets also increased, its net indebtedness with respect to the rest of the world rose by only 6%. These resources came from loans from international agencies, from a co-financing

Figure 1
URUGUAY: MAIN ECONOMIC INDICATORS

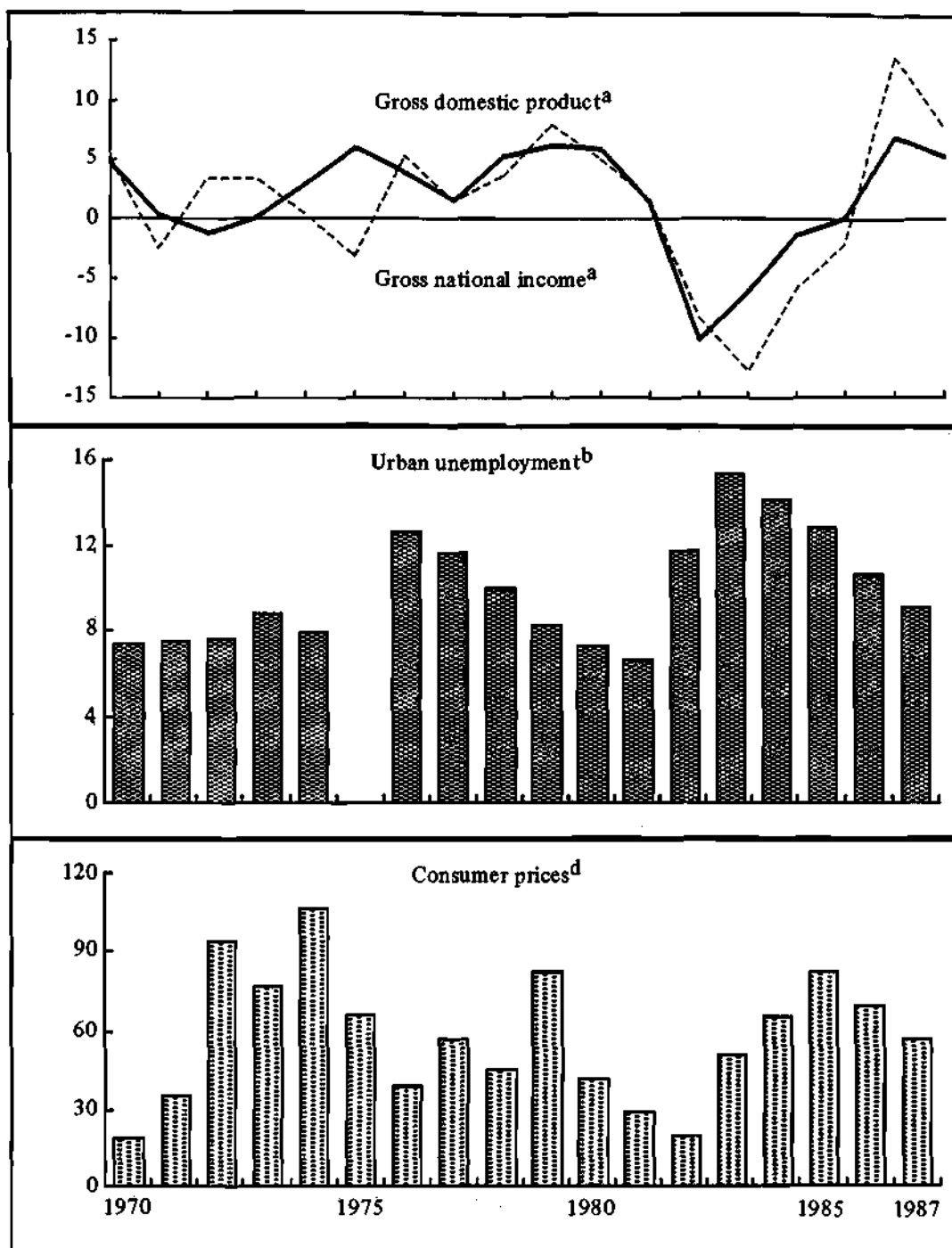
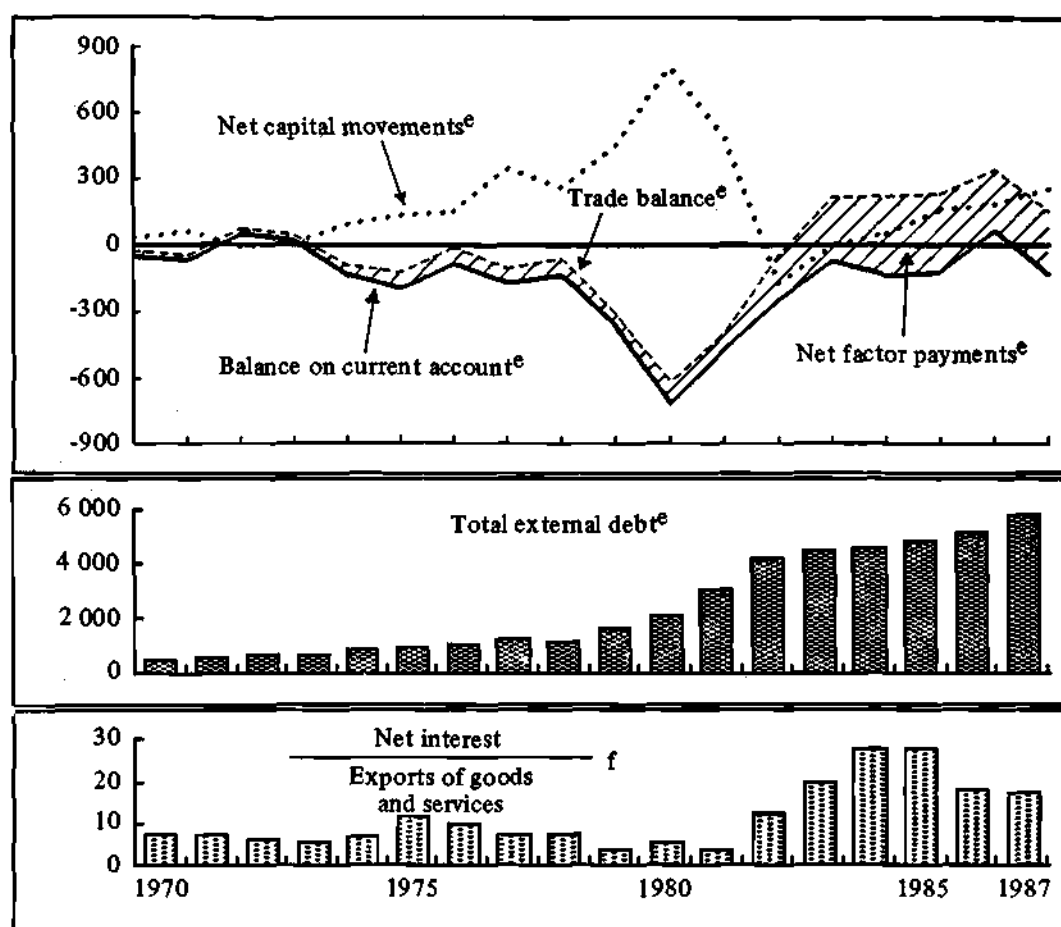


Figure 1 (concluded)



Source: ECLAC, on the basis of official data.

^aAnnual growth rate.

^bAverage annual rate in Montevideo.

^cAugust 1974 - February 1975.

^dPercentage variation from December to December.

^eMillions of dollars.

^fPercentages.

arrangement set up by the international banking system and the World Bank as part of the renegotiation of the country's debt and, in particular, from sales of public securities amounting to over US\$180 million in net terms. This eased the pressure on both the foreign exchange and goods markets and thus bolstered the efforts being made to control the exchange rate and inflation. Because the debt service exceeded capital income, the net transfer of resources out of the country persisted, although it was very small.

Uruguay's monetary, exchange and credit policies, which were quite expansionary during the first half of the year, were made more restrictive in the third quarter in order to prevent domestic demand from overheating and exerting pressure on prices and/or the balance of payments. The growth rate of official bank credit diminished, while the depreciation of the exchange rate accelerated and the rate of interest paid by the Central Bank on Monetary Regulation Notes rose. Consequently, (M_2) grew (56%) at a rate similar to that of domestic prices, and the velocity of circulation of money showed no significant change.

The most adverse external events occurred within the regional sphere. The failure of the Cruzado Plan and the restrictive adjustments made in Brazil in its wake significantly dampened the demand for Uruguayan products, with the result that the trade surplus plunged from US\$350 million to US\$150 million. In addition, the difficulties plaguing the Argentine economy precluded a

repetition of the large inflow of foreign exchange from tourism seen by Uruguay at the start of the Austral Plan (1985-1986); nevertheless, merchandise trade grew in both directions, with the net result being a slight increase in Uruguay's deficit.

The above phenomena were associated with quantitative restrictions on demand (merchandise exports to Brazil) and the erosion of Uruguay's competitiveness. The fact should be borne in mind that Uruguay has a single exchange rate, whereas both regulated and open markets exist in Argentina and Brazil. Therefore, any difference greater than 25% between the official and free exchange rates has a major impact (either directly or indirectly) on Uruguay. Thus, during 1987 the exchange-rate gap in Brazil diverted a large number of Argentine tourists to that country. Furthermore, Uruguay's close relationship with its large neighbours gives rise to some special characteristics as regards the classification of Uruguayan goods. When the exchange rate gap exceeds the above-mentioned limit, what would normally be non-tradeable goods and services become tradeable, and the domestic market therefore comes under additional pressure from neighbouring countries in terms of quantities and prices.

In the second half of the year the exchange rate differential in Argentina was generally greater than 20% and it reached 40% towards the end of the year; as a result, Uruguayan products became more expensive in terms of the Argentine currency. This had an adverse effect as regards the opinions formed by economic agents with respect to the level of the real exchange rate and, by extension, their perception of the competitiveness of the economy as a whole.

In the world market, the negative factors having the greatest repercussions were the increases in the interest rate and in oil prices (the average unit value of hydrocarbon purchases in 1987 jumped 45%). However, the international prices of Uruguayan products rose once again, mainly because of the drop in the dollar against European currencies. Consequently, the terms of trade in respect of the trade balance (goods and services) were favourable for the second consecutive year, recouping 24% over the last two years of the almost 40% decrease that occurred in the period 1983-1985.

2. Trends in economic activity

a) *Total supply and demand*

Total supply and demand grew sharply once again, but were still far below (-9%) their 1980 levels (see table 2).

On the supply side, both the gross domestic product and imports showed another substantial increase, and the corresponding coefficient climbed to 24%. Exports of goods and services, on the other hand, dropped after two years of significant increases, and the ratio between the two variables fell to 27%, although this was still much higher than it had been a decade earlier (see table 3).

Unlike the preceding year, when the expansion of total demand had been based on both consumption and exports, in 1987 the domestic market grew vigorously but exports contracted, thereby altering the growth profile of the Uruguayan economy.

Gross domestic investment rose by 25%, with the increase in purchases of machinery and equipment being especially notable, but its steady deterioration in previous years had been so great that, even with this increase, its level was still not even half of that registered in 1980 and represented only 9% of the product. Lastly, private consumption continued to recover (10%), reaching 90% of what it had been in 1980 (see table 2).

b) *The main sectors*

The growth in GDP was concentrated in the first half of the year, when it was 6% higher than in the same period of the preceding year. Thereafter the rate slowed so markedly that at the end of the year the first quarterly drop since the beginning of 1985 was recorded. Considering the year as a whole, the increase in the product was mainly fueled by goods-production activities, especially manufacturing (see table 4).

i) *Agriculture.* As a result of the decline (-3%) in stock raising and fishing, the output of this sector tended to stagnate after having regained its 1980 levels the year before (see table 5).

The drop in livestock production originated in a decrease of around 10% in cattle raising. Producer prices increased until the middle of the year, when they were the highest they had been since

1981, but they then slid back to their initial levels (see table 6). Meanwhile, sheep herds verged on an unprecedented level of 24.5 million head (see table 7), and the value of cattle stocks as of mid-1987 was 40% higher than it was in mid-1986. Wool production also reached a record high of 95 000 tons thanks to the favourable trend in international prices, a series of mild winters, and improved pasture management technology. The dairy industry continued to grow, although at a much slower rate, and the poultry and bee-keeping industries recovered from the decrease of the preceding year.

The expansion of the agricultural sector was bolstered by the striking improvements seen in wheat (41%), malting barley (64%) and soya (18%) yields. The rise in international prices especially for livestock, and the stability of the boom in agriculture prompted producers to increase their investments substantially in such areas, for example, as the purchase of tractors (up by almost 50%).

ii) *Manufacturing*. For the second year in a row manufacturing expanded vigorously, this time by 11%. Manpower productivity also rose, since the number of persons employed and the hours worked per worker increased by only 5% and 4%, respectively.

The expansion of domestic demand was the principal stimulus for the sector. For instance, the boom in the metals and machinery and equipment industry, which accounted for 44% of the total growth of the sector, was based on an increase in the production of durable consumer goods (automobiles, motorcycles, bicycles and electrical home appliances) and on the agricultural sector's investment demand (see table 8). The non-metallic minerals industry also expanded substantially (30%) owing to the dynamism of construction. This last sector also gave a boost to the basic metals industry, which grew by 15%. The 12% increase in the manufacture of chemicals and petroleum products, rubber and plastics was also a result of the expansion of domestic demand, particularly with respect to petroleum refining, and in some cases of the stimulus provided by the external market as well (such as the production of tires and inner tubes, fertilizers and pesticides, basic chemicals and plastic products). A similar situation was seen in the manufacture of printing paper, which climbed by 9% due to the greater domestic demand for packaging and packing materials, as well as to this industry's continued exports, mainly to Argentina.

The significant increase in private consumption for the second consecutive year had a positive impact on a wide range of industries, including beverages, tobacco and housewares. External demand, for its part, had varied effects on other activities. The marked decrease in meat exports to the European Economic Community and Brazil led to a 19% drop in the meat packing industry. On the other hand, exports were the determining factor in the growth observed in the manufacture of clothing, footwear and other leather products.

iii) *Construction*. After a five-year recession which resulted in a 60% decrease in activity, the sector made a 10% recovery. In the case of the public sector, this upturn was reflected in roadworks and housing construction. Private activity also showed an appreciable reactivation, as a consequence of the increase in income over the last two years and of the effect which the change in the expectations of economic agents had on the way they managed their investment portfolios. The strengthening of private construction was chiefly concentrated in Montevideo and Punta del Este.

iv) *Services*. Because of the electricity, gas and water subsectors' close links with the production of merchandise, these were the fastest-growing activities in a sector whose growth rate proved to be substantially lower than that of the goods-producing sector (see table 4). Commerce and the transport, storage and communications subsector also turned in good performances. All the other services grew very little owing to the fact that, to a large extent, they are associated with a governmental apparatus which is undergoing adjustment and rescaling or because they tend to follow demographic trends.

c) *Employment and unemployment*

The continuing increase in activity resulted in a gradual drop in the unemployment rate, which in the third quarter fell to just slightly over 8%. However, this positive trend underwent a reversal in the closing months of the year, as did that of the product (see tables 9 and 10).

Towards the end of the year, the activity showing the highest rate of unemployment was construction, whose growth was weakening as a result of the decline in the availability of credit. The unemployment rate for women continued to be much higher than the rate for men, at least in the capital, and for the first time in recent years the coefficient for people under 25 years of age was lower than the rates for other age groups; however, this situation was beginning to change by the end of the year (see table 11).

3. The external sector

a) *General trends*

After having marked up an unusual surplus the year before, the current account showed a deficit of approximately US\$130 million in 1987. The deterioration of the current account was basically due to the fact that the increase (36%) in the value of imports was four times as great as the rise in exports, while the net amount of interest paid out by the country remained virtually unchanged.

Because the inflow of foreign capital was greater than the deficit on current account, net international reserves rose for the third year in a row, this time by more than US\$40 million, although the increase was mainly accounted for by external loans (see table 12).

The real effective exchange rate decreased slightly for the second consecutive year, reaching its lowest level since 1982 (see table 13).

b) *External trade*

The terms of trade for goods and services continued to improve (5%) and thus showed a cumulative gain of 24% in two years, after having fallen by close to 40% in the preceding three-year period. In the case of merchandise, the increase (12%) in the unit value of exports was much greater than the rise in import prices (see table 14).

The trade surplus for goods and services, which had verged on US\$350 million in 1986, dropped to less than US\$150 million in 1987 owing to the fact that imports grew much more rapidly than exports.

The merchandise trade balance, when broken down by geographic zones, showed a surplus for the country's transactions with Europe and the United States which financed the deficit in regional trade (see table 15).

i) *Exports.* Due to the 20% drop in tourism, external sales of services decreased appreciably, thereby offsetting the increase (9%) in merchandise exports. The net result of this was that the overall level of export changed very little.

The decline of tourism, which in 1986 had generated one-quarter of total merchandise exports, was due to the sharp contraction in the number of Argentine tourists who, because of the change in the relative prices of neighbouring countries, preferred to travel to Brazil. Exports of goods, on the other hand, were boosted by a substantial rise (12%) in international prices.

A more favourable performance was turned in by non-traditional exports, which came to represent two-thirds of the country's total external sales of goods (see table 16). This expansion was seen both in those industries which process agricultural raw materials and in industries which use imported inputs. Thus, for example, skins and leather goods and wool manufactures grew by 53% and 29%, respectively, thanks to the strong demand generated by Europe and the United States.

The chemicals, plastics and rubber industries, which have been expanding rapidly ever since the late 1970s, raised their combined exports by 53%, while clothing made out of textiles containing imported raw materials increased by 29%. Another dynamic category of exports was fish, shellfish and mollusks, which grew by 25%.

Sales of traditional products exhibited varying trends. Beef exports plunged to half their former level owing to the sharp slump in Brazilian demand, but earnings dropped by only 13% thanks to the strong upturn (35%) in the international price. The value of wool exports rose substantially (21%), chiefly because of the increase in their price, but also to some extent because of a slight expansion in volume.

In what constituted a continuation of the trend which had first appeared in 1985, the significance of Europe and particularly of the EEC as purchasers of Uruguayan exports climbed to 37% as a result of the revaluation of these countries' currencies. The demand generated by the Western Hemisphere, however, dropped (52% to 46%) as a consequence of the fall in exports to Brazil (see table 15).

ii) *Imports.* The further considerable expansion in imports was concentrated in goods (26%) while imports of services decreased by 11% (see table 17). These figures may be underestimated, however, since the country's loss of competitiveness *vis-à-vis* Argentina encouraged contraband. The fact that following two years of positive balances, the "net errors and omissions" entry on the balance

of payments showed a negative balance of US\$130 million suggests that the actual level of imports of goods and services may have been that much greater and/or may be indicative of capital flight.

The largest increases (65% and 55%) were in consumer and capital goods, which thus recovered the shares of total imports that they had represented at the beginning of the decade. Imports of raw materials and intermediate goods other than petroleum rose by 28% and exhibited a much higher than average marginal coefficient of imports over the product. This could be attributable either to an increase in stocks or to a greater proportion of imported inputs in non-traditional exports. Lastly, although the price paid by Uruguay for crude oil went up by 45%, the country's well-conceived policy concerning the management of its oil stocks allowed it to achieve a further reduction in its oil bill that brought it down to 18% of total imports, which was less than half of what it had been in 1982.

c) *External indebtedness*

The gross external debt reached nearly US\$5.9 billion. This was 12% more than in the preceding year and was equivalent to 3.8 times Uruguay's exports of goods and services and 77% of its gross domestic product (see table 18). However, since there was an increase of almost US\$410 million in the international reserves of the banking system, net indebtedness rose by only 6% to some US\$2.8 billion (1.8 times the level of exports and 36% of GDP).

During 1987 the country entered into the fourth round of negotiations on its external debt. The new contract reprogrammed the maturities corresponding to 1985-1991 over a period extending up to the year 2004. Around US\$1.8 billion was refinanced at a rate of seven-eighths over LIBOR, with a three-year grace period starting in 1988. This allowed Uruguay to postpone further amortization payments until 1991 —except for US\$24 million to be paid upon the signing of the agreement, while also receiving longer repayment periods and a lower interest rate. The arrangement did not provide for any new loans from the international banking system.

Towards the end of the year two different systems for capitalizing the foreign debt were adopted. The first set up a debt-to-debt procedure whereby Uruguayan external debt paper acquired on the international secondary market could be used to pay the domestic debt held by the Central Bank (corresponding to its purchases of portfolios from the banking system during 1982-1983). The second method opened up the possibility of debt equity swaps in respect of the Uruguayan external debt.

The renegotiation of the debt with international banks took place within the framework of the adjustment programmes which the government has been carrying out since 1985. For the 1987-1988 biennium and "enhanced surveillance" agreement was reached which did not involve any input of resources by the international agency in question and whose main purpose was to serve as a source of support for the country's multiannual external debt reprogramming arrangements. The targets set forth in this agreement were an average product growth rate of 4%, the maintenance of international reserves at their present level, and the lowering of inflation to 50% in 1987 and to 40% in 1988.

The gross external debt of the public sector rose by 10%, which was an increase of only 2% in net terms. Since the public sector owes around US\$1.5 billion in foreign-currency debts to residents, its dollar liabilities exceeded US\$5.7 billion, a figure equal to 3.5 times Uruguay's 1987 exports of goods and services (see table 19).

4. Prices and wages

Whether measured in terms of the variation over 12 months or the variation between annual averages, inflation weakened somewhat, while the average real wage rose again and employment increased.

a) *Prices*

The growth rate of prices declined for the second consecutive year and 1987 closed with a 12-month rise of about 60%, which was the lowest recorded since mid-1984 (see table 20 and figure 2).

The system of adjusting wages every four months (under which private-sector wages are raised in nominal terms in February, June and October, and those of the public sector are raised the following month) seasonalized the movements in price indicators, and a systematic decrease was thus observed in retail prices. The trend of wholesale prices was less definite (see table 21).

In contrast to what had occurred in 1986, food and beverage prices climbed by only 42%, while other prices increased between 63% and 90%. This was largely due to the trend in meat prices, which figure prominently in the Uruguayan basic shopping basket.

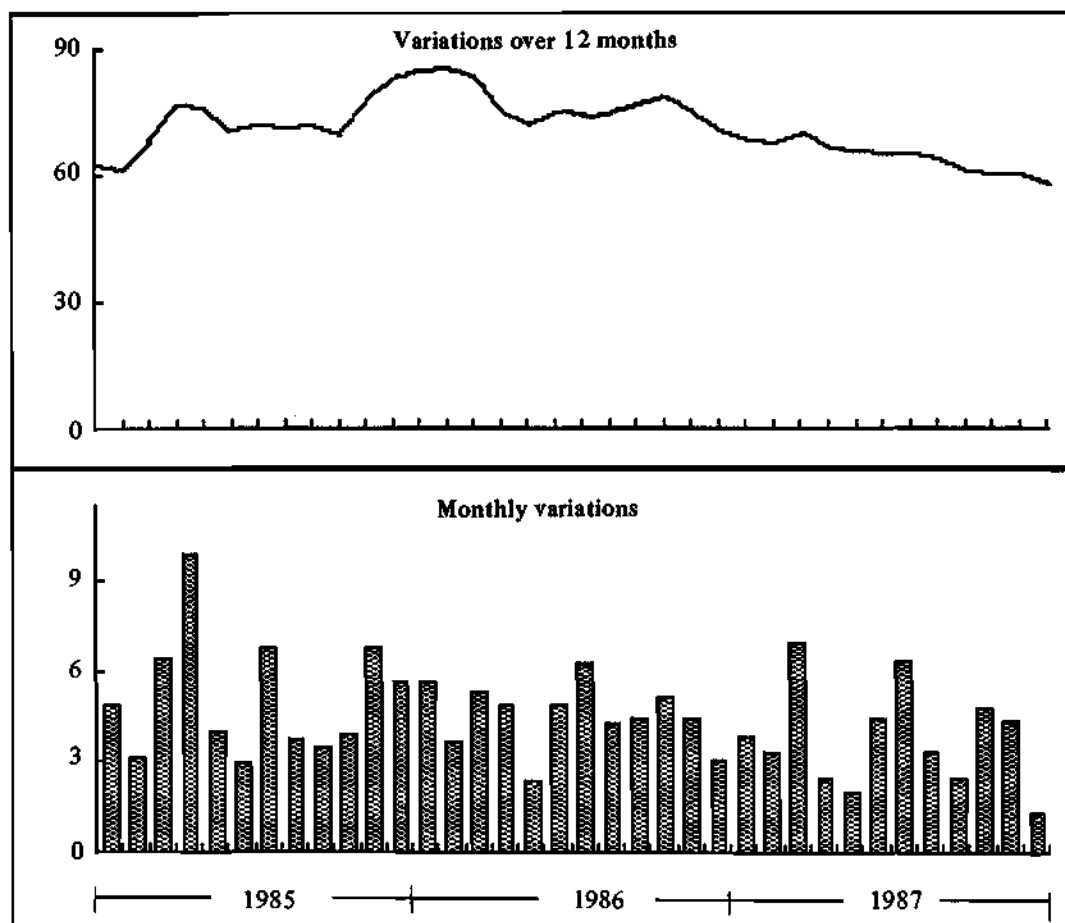
There were also marked differences in the wholesale price index between manufactures (an increase of 63%) and agricultural goods (39%).

b) Wages

Real wages rose for the third year running (5%), reaching a level 26% higher than in 1984, but were still 9% lower than they had been at the beginning of the decade (see table 22).

A significant improvement was also seen in the employment situation, and in the August-October quarter the unemployment rate dropped to its lowest point in the past six years. The increase in total wage income was therefore due both to the effect of price trends and to the larger number of wage earners.

Figure 2
URUGUAY: CONSUMER PRICE INDEX
(Percentages)



Source: ECLAC, on the basis of official data.

Whereas average real wages in the private sector went up by 8%, public-sector wages hardly rose at all, and the gap that had opened up between the two in 1986 therefore widened. The private sector adjusts wages on the basis of three-party agreements (wage earners, employers and government), and a considerable proportion of the branches of production are governed by a system of medium-term (usually two-year) indexed agreements which are intended to restore workers' wages to their real level as of the beginning of the preceding four-month period and make up for part of their earlier losses. Since inflation has been declining, this mechanism has resulted in a steady improvement (in fact, the rise has been greater than that sought by the authorities) in the real wages of a large number of private-sector workers (see table 23). In the public sector, on the other hand, wage adjustments are determined by the government on the basis of its financial budget, using the expected inflation rate as a reference point.

5. Monetary and fiscal policies

a) *Monetary policy*

Monetary policy continued to have the same objectives as it had under previous programmes, namely to foster an expansion of the main monetary and credit aggregates that would be in keeping with a steady decline in inflation and the increase in activity. Nevertheless, the fact that external conditions had changed substantially made it necessary to devise a different strategy.

Indeed, the effort to keep the real exchange rate at a level that would make domestic products competitive on foreign markets called for a combination of monetary and exchange policies such that, at some points in time, the monetary policy was converted into an endogenous variable by virtue of the important part played by the Banco de la República in the exchange market. In turn, it was necessary to ensure that the amount of money created by the Central Bank was compatible with the rate of inflation and the growth of the product and that the domestic interest rate was in keeping with the arbitrage interest rate so that the expectations of economic agents would be in line with the trend in the price of the dollar. Otherwise, the level of the monetary authority's reserves, the rate of inflation and/or the exchange rate itself would have been affected.

In this context, the focus is necessarily on the government's monetary/exchange policy, which is particularly important for an understanding of the peculiarities of the authorities' management of monetary policy in 1987. The basic challenge to be dealt with in this connection was the negative pressure exerted by the sharp decrease in the trade surplus and the deterioration of Uruguay's competitiveness with its neighbouring countries, especially Argentina, as regards international trade in services and border transactions. This last element also influenced the expectations of the public, since economic agents assigned a very high weighing to the impact of the exchange ratio with Argentina on the basket of currencies used in projecting the future course of the real exchange rate.

Up to the middle of the third quarter, the trends of interest rates, the exchange rate and prices all followed a similar pattern to that seen in the latter part of 1986. Thus, inflation continued to decline, closing out the first half of the year with a rate equivalent to an annual rate of about 60%; the banking system's interest rate on deposits was of a similar level; and the increase in the exchange rate slowed to an annual rate of slightly over 50%.

Midway through the third quarter, however, the unfavourable exchange rate ratio with Argentina began to have a more severe effect on the domestic market while, at the same time, economic agents stepped up their demand for foreign exchange both for imports (imports other than petroleum expanded by 52% in the first half of the year) and on the financial market, where the Banco de la República was the only seller. Given this situation, the rate for the dollar rose and the interest rate paid by the Central Bank on securities issued in the local currency was adjusted, in order to align it with the new exchange rate. This led to a revaluation of the parity exchange rate with Argentina and curbed demand on the foreign exchange market.

As a result of the above, the increase in M_2 was similar to that of the domestic price index. Money (M_1) grew more (66%), which means that time deposits in the local currency dropped in real terms. Deposits in foreign currency, on the other hand, increased by 9%, which brought them up to close to one-third of the gross domestic product and to 71% of the broadest aggregate (M_3) (see tables 24 and 25).

The Central Bank's monetary balance indicates that issues rose by 72%. Net credit to the public sector and to the Banco Hipotecario were among the main factors of expansion (see table 26), while the increase in reserves accounted for 19% of the rise and that observed in the remaining accounts (chiefly the so-called para-State deficit), another 28%. The principal factors of absorption were Monetary Regulation Notes and, above all, the significant contraction brought about by the Banco de la República by means of its deposits in the Central Bank.

The real interest rate in local currency continued to rise. The greater monetary control practiced in the second half of the year raised the "ex-ante" real rate to the highest level seen in recent years (see table 27).

The effects of the 1982 crisis, which had led to serious domestic overindebtedness, continued to be felt and precipitated the virtual bankruptcy of two major national banks. It therefore became necessary for the Banco de la República to take over these banks, which thus passed over to the official sphere of the economy. The public sector's share in the banking system thus climbed to three-quarters of the total deposits made by the public, while foreign banks or capital either wholly own or hold a majority interest in the remaining 25%.

b) *Fiscal policy*

i) *Total deficit.* The fiscal adjustment continued to be one of the main planks of the country's economic policy and was successful in bringing down the public-sector deficit from around 10% of GDP in the fiscal year ending in March 1985 to 4%. One-quarter of the 1987 public-sector deficit can be attributed to the central government's financial imbalance, and the remainder to the Central Bank's (para-State) deficit, which was, nevertheless, that which decreased the most. Given that the interest on the external debt represented about 5% of GDP, the balance on this account prior to the payment of interest showed a surplus (see table 28).

The main positive factors in this connection were the decrease in the premium paid over the international interest rate and the increase in the tax burden, which amounted to about one point of the GDP. The expansion of real expenditure had the reverse effect.

As in the preceding year, the imbalance was mainly covered by borrowing (both external and domestic), which eased the pressure on money issues.

ii) *The central administration.* The central administration's deficit —almost 8% of outlays— rose slightly (see tables 29 and 30). Current income grew for the third year running in real terms (11%) and tax revenues, also in constant values, were 37% higher than in 1984. The increase was seen across the board, but was the greatest in the case of income tax receipts, which jumped by almost one-third in real terms thanks to the higher level of economic activity and improvements in tax administration.

Total expenditure climbed by 11% in real terms and therefore also increased as a percentage of the product after having fallen sharply during the five-year period 1982-1986. Investment outlays rose to 10% of the total. Interest on the public debt, however, decreased as a proportion of the total in real terms as a result of the reduction of the premium paid over the international rate both on foreign bank loans (through refinancing) and the debt paper issued in dollars (see table 31).

As has been the case since 1984, the main source of financing was the sale of public securities denominated in foreign currencies (dollars and marks). The sale of Treasury bonds and Treasury bills provided more than enough financing to cover the cash deficit and this, together with foreign loans, made it possible, for the second consecutive year, to amortize the balance of credit owed to the two official banks (the Central Bank and the Banco de la República) thereby contributing to the success of the monetary policy.

iii) *The rest of the non-financial public sector.* Although the figures that would be required for an analysis of public enterprise and local government accounts were not available, it may be inferred that this group as a whole remained in equilibrium, with some organizations showing surpluses and others deficits.

A determining factor in this respect was the sound management of petroleum stocks practiced by the public enterprise which has a monopoly on oil refining. This enterprise had taken advantage of the downturn in oil prices during 1986 to accumulate large inventories and was therefore able to hold down its purchase costs in 1987.

The policy on public rates and charges continued to be one of adjusting the income of State enterprises to the variation in their costs.

Table 1

URUGUAY: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	101.4	91.2	85.8	84.7	84.8	90.8	95.6
Gross national income	101.6	93.2	81.2	76.4	74.8	85.0	91.6
Population (millions of inhabitants)	2.93	2.95	2.97	2.99	3.01	3.03	3.06
Per capita gross domestic product	100.8	90.1	84.1	82.4	81.9	87.1	91.0
Growth rates							
B. Short-run economic indicators							
Gross domestic product	1.4	-10.1	-6.0	-1.3	0.2	7.0	5.3
Per capita gross domestic product	0.8	-10.6	-6.6	-2.0	-0.5	6.3	4.6
Gross national income	1.6	-8.3	-12.8	-5.8	-2.1	13.7	7.8
Rate of unemployment ^b	6.7	11.9	15.5	14.3	13.0	10.8	9.3
Consumer prices							
December-to-December	29.4	20.5	51.5	66.1	83.0	70.7	57.3
Variation between annual averages	34.0	19.0	49.2	55.3	72.2	76.4	63.6
Real wages and salaries	7.5	-0.3	-20.7	-9.0	14.1	5.8	4.7
Money	10.3	19.8	11.3	56.2	101.5	77.2	65.8
Current government income	42.2	-8.0	50.8	35.0	92.9	95.2	80.8
Total government expenditure	43.7	113.9	19.9	50.3	64.8	76.3	81.8
Fiscal deficit/total government expenditure ^c	0.5	36.4	20.1	28.3	16.0	7.0	7.5
Public sector deficit/gross domestic product ^c	...	...	...	...	7.1	5.0	4.0
Current value of exports of goods and services	11.4	-9.6	-8.2	-8.6	-3.0	19.9	3.6
Current value of imports of goods and services	-2.1	-24.4	-24.7	-10.7	-4.6	13.6	21.6
Terms of trade (goods and services)	-1.4	19.7	-19.6	-10.9	-8.4	18.7	5.3
Millions of dollars							
C. External sector							
Trade balance (goods and services)	-397	-48	217	222	233	344	149
Net payments of profits and interest	74	197	288	362	352	278	281
Balance on current account	-468	-245	-71	-139	-119	66	-132
Balance on capital account	494	-172	-	54	183	187	255
Variation in international reserves (net)	51	-497	-71	-105	43	245	41
Gross external debt	3 112	4 238	4 572	4 671	4 900	5 238	5 888

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bAnnual average rate in Montevideo.^cPercentages.

Table 2
URUGUAY: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	77.1	84.8	90.6	130.5	123.8	-3.2	-0.8	9.9	6.9
Gross domestic product at market prices	84.8	90.8	95.6	100.0	100.0	-1.3	0.2	7.0	5.3
Imports of goods and services ^b	52.0	65.2	74.4	30.5	23.8	-11.6	-5.8	25.4	14.2
Total demand	77.1	84.8	90.6	130.5	123.8	-3.2	-0.8	9.9	6.9
Domestic demand	69.4	75.9	84.9	108.8	96.6	-4.5	-2.5	9.4	11.8
Gross domestic investment	39.1	38.8	48.7	17.3	8.8	1.9	-18.9	-0.5	25.3
Gross fixed investment	36.9	39.7	47.6	16.7	8.3	-13.3	-23.2	7.5	19.9
Construction	40.9	39.9	43.6	11.1	5.0	-7.4	-31.0	-2.5	9.3
Machinery	30.6	40.1	54.0	6.0	3.9	-28.0	1.0	31.1	34.6
Variation in stocks	96.6	16.1	77.8	0.6	0.5				
Total consumption	75.2	83.0	91.8	91.5	87.8	-5.2	-0.5	10.4	10.6
General government	105.7	109.4	112.7	12.5	14.7	0.6	3.1	3.6	3.0
Private	70.4	78.8	88.5	79.0	73.1	-6.4	-1.4	12.0	12.3
Exports of goods and services ^b	115.8	129.2	119.4	21.7	27.1	1.4	4.5	11.6	-7.6

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

^aPreliminary figures. ^bThe figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were then converted to constant 1980 values using price indexes calculated by ECLAC for that purpose.

Table 3
URUGUAY: COEFFICIENT OF OPENNESS OF THE ECONOMY

(As a percentage of GDP)^a

	Exports	Imports	X+M	X-M
1975	19.9	25.5	45.4	-5.6
1980	21.7	30.5	51.2	-8.8
1981	22.7	27.6	50.3	-4.9
1982	21.5	26.2	47.7	-4.7
1983	27.7	22.2	49.9	5.5
1984	28.4	19.9	48.3	8.5
1985	29.7	18.7	48.4	11.0
1986	30.9	21.9	52.8	9.0
1987	27.1	23.8	50.9	3.3

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

^aBased on data expressed in 1980 dollars.

Table 4

**URUGUAY: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT 1980 MARKET PRICES**

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Gross domestic product	84.8	90.7	95.6	100.0	100.0	-1.3	0.2	7.0	5.3
Goods ^b	75.4	82.8	89.9	45.7	42.9	-1.8	-2.4	9.7	8.6
Agriculture ^c	97.3	103.8	104.6	10.6	11.6	-6.8	4.5	6.7	0.8
Manufacturing	74.6	83.6	92.9	28.7	27.9	2.8	-1.6	12.1	11.0
Construction	41.3	40.6	44.8	5.0	2.3	-11.0	-30.1	-1.7	10.4
Basic services	90.4	98.0	103.3	7.2	7.8	-0.4	2.1	8.4	5.4
Electricity, gas and water	111.8	116.2	125.7	1.4	1.9	-0.7	3.4	3.9	8.2
Transport, storage and communications	85.3	93.6	97.8	5.8	5.9	-0.3	1.7	9.8	4.5
Other services	93.1	97.3	100.0	47.1	49.3	-0.9	1.9	4.6	2.7
Commerce, restaurants and hotels	72.2	79.0	83.7	20.2	17.7	-1.8	-0.7	9.5	5.8
Ownership of dwellings	105.0	105.5	106.0	6.9	7.6	1.0	2.1	0.5	0.5
Other sectors ^d	110.1	113.0	114.5	20.0	24.0	-0.2	3.7	2.6	1.3

Source: ECLAC, on the basis of official data reweighted according to the 1980 current price structure. Therefore, the figures shown here do not necessarily coincide with those published by the countries based on their calculations at constant prices.

^aPreliminary figures. ^bIncludes mining. ^cIncludes livestock, forestry and fishing. ^dIncludes financial institutions, insurance, real estate, business services; excludes ownership of dwellings.

Table 5

URUGUAY: INDICATORS OF AGRICULTURAL PRODUCTION

	Indexes (1980 = 100)			Growth rates		
	1985	1986	1987	1985	1986	1987
Gross domestic product^a	97.2	103.8	104.6	4.5	6.7	0.8
Indexes of production volumes						
Crop-farming^a	84.9	83.3	90.7	-4.9	-1.8	8.8
Cereals	85.2	78.5	91.4	-15.7	-7.9	16.5
Oil seeds	54.2	72.5	64.3	63.3	33.7	-11.3
Sugar-bearing crops	47.7	65.5	55.4	-26.2	37.1	-15.3
Roots and tubers	76.2	60.3	70.1	0.3	-20.9	16.2
Wine grapes	106.9	124.3	137.2	6.8	16.3	10.4
Other	97.5	97.6	102.2	0.6	0.1	4.6
Stock-raising^a	100.2	112.0	109.0	10.1	11.8	-2.7
Cattle	85.6	106.0	94.8	2.9	23.9	-10.5
Other livestock	70.8	83.2	86.8	-12.4	17.5	4.3
Wool	125.4	133.1	135.4	27.6	6.2	1.7
Milk	112.5	117.1	120.6	6.9	4.1	3.0
Poultry and bees	89.0	83.5	89.2	11.4	-6.2	6.8
Fisheries	114.3	112.1	110.5	4.1	-2.0	-1.4

Source: ECLAC, on the basis of official figures.

^aCalculated on the basis of 1978 weightings.

Table 6

URUGUAY: PRICES OF BEEF CATTLE

(Dollars per kilo, on the hoof)

End of quarter	1982	1983	1984	1985	1986	1987
I	0.50	0.35	0.41	0.45	0.37	0.66
II	0.56	0.34	0.57	0.38	0.52	0.62
III	0.60	0.40	0.65	0.35	0.80	0.78
IV	0.30	0.43	0.50	0.37	0.70	0.59

Source: ECLAC, on the basis of figures supplied by private institutions.

Table 7

URUGUAY: LIVESTOCK INVENTORIES

(Millions of head)

	Cattle	Sheep	Sheep/ cattle ratio
1935	8.1	17.1	2.1
1950	8.2	22.0	2.7
1960	8.5	21.7	2.5
1970	8.6	19.8	2.3
1980	11.2	20.0	1.8
1985	9.4	21.2	2.3
1986	9.3	23.9	2.6
1987	9.9	24.4	2.5

Source: ECLAC, on the basis of official figures.

Table 8

URUGUAY: INDICATORS OF MANUFACTURING PRODUCTION

	Index (1982 = 100)			Growth rates	
	1985	1986	1987	1986	1987
Index of manufacturing production	94.3	105.7	117.4	12.1	11.1
Food	89.0	91.2	87.0	2.5	-4.6
Other food industries	86.4	88.5	100.7	2.4	13.8
Beverages	79.9	90.4	98.0	13.1	8.4
Tobacco	81.7	81.6	90.6	-0.1	11.0
Textiles	132.8	155.0	156.5	16.7	1.0
Clothing	117.1	131.8	141.8	12.6	7.6
Leather	85.2	91.7	95.8	7.6	4.5
Footwear	89.5	107.0	119.6	19.6	11.8
Paper	117.5	145.7	150.4	24.0	3.2
Printing and publishing	99.5	102.6	117.2	3.1	14.2
Industrial chemicals	103.1	142.2	172.3	37.9	21.2
Other chemicals	92.2	110.2	108.8	19.5	-1.3
Petroleum refining	78.2	70.6	81.7	-9.7	15.7
Rubber	124.2	155.7	176.6	25.4	13.4
Plastics	106.1	123.8	142.2	16.7	19.9
Pottery, earthenware and porcelain	113.0	175.7	233.2	55.5	32.7
Glass	108.1	141.9	176.2	31.3	24.2
Other non-metallic mineral products	49.8	57.3	77.8	15.1	35.8
Basic ferrous metals	94.9	100.0	118.8	5.4	18.8
Basic non-ferrous metals	128.9	134.8	145.1	4.6	7.6
Metal products	91.4	112.7	134.7	23.3	19.5
Electrical machinery, equipment and supplies	85.5	107.3	123.9	25.5	15.5
Transport equipment	94.0	126.5	195.1	34.6	54.2
Professional, scientific and other equipment	75.4	103.4	108.8	37.1	5.2
Other manufacturing industries	107.4	132.6	154.5	23.5	16.5

Source: Central Bank of Uruguay.

Table 9

**URUGUAY: RATES OF ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT
IN MONTEVIDEO AND INLAND URBAN AREAS**

(Percentages)

Sliding quarter centred on	Rates of		
	Activity	Employment	Unemployment
1986			
March	59.2	51.9	12.3
June	58.3	51.8	11.2
September	57.9	52.1	10.0
December	59.5	54.1	9.0
1987			
March	60.5	54.3	10.2
June	60.0	54.5	9.1
September	60.9	55.8	8.3
December	59.7	53.8	9.9

Source: ECLAC, on the basis of figures provided by the Statistics and Census Office.

Table 10

URUGUAY: AVERAGE HOURS WORKED PER WEEK IN MONTEVIDEO

(Percentages)

End of quarter	Total		Manufacturing		Construction	
	Average	Variation in 12 months	Average	Variation in 12 months	Average	Variation in 12 months
1987						
I	40.2	-1.8	42.2	-0.7	44.2	7.8
II	43.3	3.2	45.7	5.0	41.8	-
III	43.1	0.7	45.4	3.8	43.6	4.4
IV	41.7	0.4	45.3	1.7	40.3	5.2
Annual average	42.1	0.7	44.1	2.5	42.2	2.2

Source: ECLAC, on the basis of figures provided by the Statistics and Census Office.

Table 11

**URUGUAY: UNEMPLOYMENT RATE BY BRANCH OF ACTIVITY, ON BASIS
OF SLIDING QUARTERS, FOR MONTEVIDEO, 1986-1988**

(Percentages)

Sliding quarter centred on	Kind of activity					
	Manu- fac- turing	Construction	Commerce	Transport and commu- nications	Banking, finance and business services	Governmental, social, personal and public services
1986						
January	10.1	19.0	10.5	3.5	6.0	6.3
December	10.2	5.7	8.4	3.2	4.3	5.2
1987						
January	9.1	8.1	8.7	2.4	3.7	5.2
February	8.7	7.0	10.6	4.2	4.6	5.6
March	8.7	9.8	11.4	3.6	7.3	6.0
April	8.2	9.4	11.2	3.8	7.2	5.8
May	8.5	10.7	9.0	2.2	5.7	5.8
June	7.9	8.1	8.5	3.6	5.3	5.6
July	7.7	8.6	8.2	2.9	6.5	5.5
August	7.9	8.0	10.3	4.8	7.5	4.8
September	7.4	8.5	9.3	4.4	5.7	4.1
October	8.0	8.7	9.2	4.6	5.1	3.8
November	8.0	11.4	7.3	4.0	6.5	4.4
December	8.6	13.5	7.0	4.6	9.1	5.3

Source: Statistics and Census Office.

Table 12

URUGUAY: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	-716	-468	-245	-71	-139	-119	66	-132
Trade balance	-618	-397	-48	217	222	233	344	149
Exports of goods and services	1 526	1 701	1 537	1 411	1 289	1 251	1 500	1 554
Goods, FOB	1 059	1 230	1 256	1 156	925	854	1 088	1 189
Real services ^b	468	471	281	255	365	397	412	365
Transport and insurance	89	92	81	71	69	68	71	73
Travel	298	283	106	90	210	235	258	208
Imports of goods and services	2 144	2 098	1 585	1 194	1 067	1 018	1 156	1 405
Goods, FOB	1 668	1 592	1 038	740	732	675	791	1 080
Real services ^b	476	506	547	455	335	342	365	325
Transport and insurance	161	174	116	85	80	77	99	102
Travel	203	203	304	259	154	162	150	129
Factor services	-100	-74	-197	-288	-362	-352	-278	-281
Profits	-	-	-	-	-	-	-	-
Interest received	68	146	147	63	87	76	93	103
Interest paid	-168	-220	-344	-350	-449	-428	-371	-384
Other	-	-	-	-	-	-	-	-
Unrequited private transfer payments	2	3	-	-	-	-	-	-
Balance on capital account	811	494	-172	-	54	183	187	255
Unrequited official transfer payments	7	7	10	11	10	11	25	8
Long-term capital	404	345	515	643	30	59	137	...
Direct investment (net)	289	49	-14	6	3	-8	-5	...
Portfolio investment (net)	-7	3	-7	-16	7	96	86	...
Other long-term capital	122	294	536	653	20	-29	55	...
Official sector ^c	108	110	423	329	46	-23	44	...
Loans received	181	140	456	531	90	21	74	...
Amortization payments	-66	-27	-29	-198	-43	-44	-30	...
Commercial banks ^c	5	-3	-5	37	-1	-5	-1	...
Loans received	7	-	1	43	-	-	-	...
Amortization payments	-2	-2	-2	-9	-1	-1	-1	...
Other sectors ^c	9	187	118	287	-25	-1	12	...
Loans received	26	201	182	346	62	30	39	...
Amortization payments	-17	-14	-64	-58	-87	-31	-27	...
Short-term capital (net)	311	303	567	-359	158	-136	-150	...
Official sector	-23	-5	83	41	47	125	5	...
Commercial banks	307	87	240	-67	67	-148	-69	...
Other sectors	26	221	244	-333	43	113	-87	...
Net errors and omissions	90	-161	-1 264	-295	-144	250	175	-130
Global balance^d	95	26	-417	-70	-85	64	253	123
Total variation in reserves								
(- sign indicates an increase)	-112	-51	497	71	105	-43	-245	-41
Monetary gold	-22	4	85	52	-8	-6	-1	-3
Special Drawing Rights	1	-10	41	-2	-1	-10	3	-56
IMF reserve position	-13	1	33	-10	10	-	-	-
Foreign exchange assets	-50	-37	240	-122	106	-30	-310	2
Other assets	-29	-9	3	12	12	-124	18	18
Use made of IMF credit	-	-	96	142	-15	128	45	-2

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^aPreliminary figures. ^bIncludes other non-factor services. ^cIncludes net loans granted and other assets and liabilities. ^dIs equal to the total variation in reserves (of opposite sign) plus counterpart items.

Table 13

URUGUAY: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange exchange rates (pesos per dollar)	Indexes of the real effective exchange rate ^a		
		Exports	Imports	
			(1) ^b	(2) ^c
1970-1979	3	126.4	103.3	121.7
1980	9	100.0	100.0	100.0
1981	11	96.5	95.5	95.8
1982	14	106.8	101.7	103.7
1983	35	146.2	131.9	136.9
1984	56	135.1	120.6	126.2
1985	101	136.0	118.6	125.4
1986	152	133.2	107.7	120.6
1987	227	130.7	102.4	117.3
1985				
I	85	140.7	124.4	130.9
II	94	129.7	112.8	119.1
III	106	133.7	115.9	122.6
IV	121	139.9	121.3	129.1
1986				
I	132	139.1	116.4	127.5
II	145	137.4	111.1	124.2
III	158	130.7	105.0	118.2
IV	173	125.5	98.4	112.6
1987				
I	192	130.0	101.8	116.5
II	213	134.6	105.6	120.9
III	236	125.4	97.7	111.9
IV	266	133.0	104.5	119.7

Source: ECLAC, on the basis of data from the International Monetary Fund, *International Financial Statistics*.

^aRefers to the average of the indexes of the real exchange rate for the peso against the currencies of Uruguay's main trading partners, weighted according to the relative significance of exports or imports to or from these countries, as appropriate. From 1975 to 1979 these weightings correspond to the average for those same years, and from 1980 onward to the average for the period 1980-1983. In the calculations wholesale price indexes have been used for these calculations whenever possible. For information on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America*, 1981. ^bIncludes the main oil-exporting countries. ^cExcludes the main oil-exporting countries.

Table 14

URUGUAY: MAIN FOREIGN TRADE INDICATORS (GOODS)

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports (FOB)							
Value	14.8	-15.9	2.2	-11.6	-7.7	27.4	9.3
Volume	13.3	-7.3	14.4	-13.6	-0.6	25.5	-2.4
Unit value	1.4	-9.3	-10.7	2.3	-7.1	1.5	12.0
Imports (FOB)							
Value	-4.6	-34.8	-28.8	-1.0	-7.8	17.1	36.5
Volume	-9.2	-31.5	-20.9	3.9	-10.1	34.2	26.1
Unit value	5.1	-4.8	-10.0	-4.7	2.6	-12.7	8.3
Terms of trade	-3.8	-5.0	-1.1	6.6	-9.4	15.0	3.5
Indexes (1980 = 100)							
Purchasing power of exports	109.0	95.9	108.5	100.0	90.1	130.1	131.4
Volume of exports	113.3	105.0	120.1	103.9	103.3	129.6	126.5
Volume of imports	90.8	62.2	49.2	51.1	46.0	61.7	77.8
Terms of trade	96.2	91.4	90.3	96.3	87.3	100.4	103.9

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

^aPreliminary figures.

Table 15

**URUGUAY: FOREIGN TRADE BY GEOGRAPHIC AND
ECONOMIC ZONE**

(Percentages of total)

	Exports			Imports		
	1985	1986	1987	1985	1986	1987
Total	100.0	100.0	100.0	100.0	100.0	100.0
Americas	43.9	51.9	46.4	44.3	60.0	58.4
ALADI	27.8	38.7	30.2	35.3	50.3	48.6
Argentina	7.4	8.2	9.5	12.2	14.2	13.7
Brazil	16.8	27.2	17.2	17.8	24.4	24.4
Mexico	0.8	0.7	0.8	2.2	7.4	7.5
Other	2.9	2.8	2.6	3.1	4.3	2.9
United States	14.7	11.9	14.8	7.5	8.4	7.9
Rest of the Americas	1.3	1.2	1.4	1.5	1.2	1.8
Europe	31.7	32.6	36.8	26.3	25.6	25.5
EEC	20.4	25.9	28.1	15.3	19.9	21.0
Germany	7.7	9.1	10.3	7.0	7.6	8.1
Other	12.7	16.8	17.8	8.3	12.3	12.9
Eastern Europe	8.1	4.5	5.8	6.3	1.8	1.0
EFTA	2.2	1.9	2.8	3.2	4.0	3.4
Other	0.1	0.4	0.2	0.1	...	0.1
Rest of the world	24.4	15.5	16.8	29.4	14.3	16.1
Africa	1.8	1.5	1.6	10.5	2.7	5.4
Asia	10.9	10.7	8.7	3.8	5.9	6.2
Middle East	10.9	2.8	5.0	14.7	5.3	4.0
Other	0.8	0.5	1.4	0.3	0.5	0.5

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

Table 16

URUGUAY: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1980	1985	1986	1987	1980	1987	1985	1986	1987
Total	1 058	853	1 087	1 189	100.0	100.0	-7.7	27.4	9.4
Traditional	415	293	402	392	39.3	33.0	-13.4	37.3	-2.5
Non-traditional	642	560	685	796	60.7	67.0	-4.4	22.3	16.2
Principal sections									
Live animals and animal products	264	202	295	256	24.9	21.5	-11.5	45.9	-13.2
Beef	155	110	164	125	14.7	10.5	-18.7	49.0	-23.8
Mutton	14	6	22	6	1.4	0.5	-4.2	266.6	-72.7
Other	93	85	108	124	8.9	10.4	-0.8	27.1	14.8
Plant products	108	141	134	99	10.2	2.3	9.5	-5.0	-26.1
Rice	64	81	78	53	6.1	4.5	40.1	-3.7	-32.1
Other	43	60	55	46	4.1	3.9	-15.3	-8.3	-16.4
Fats and oils	18	5	8	4	1.8	0.3	-26.1	60.0	-50.0
Food, beverages and tobacco	32	23	36	35	3.1	2.9	-15.9	56.5	-2.8
Mineral products	12	1	5	4	1.2	0.4	-75.6	400.0	-20.0
Plastics and rubber manufactures	20	13	20	30	2.0	2.5	31.1	53.8	50.0
Hides, skins and leather products	143	114	148	198	13.6	16.7	-22.2	29.8	33.8
Skins and hides	40	61	74	83	3.8	7.0	-33.1	21.3	12.2
Leather manufactures	52	27	36	57	4.9	4.8	-10.8	33.3	58.3
Furs and fur products	51	25	37	57	4.9	4.8	4.5	48.0	54.0
Textiles and textile manufactures	306	261	316	384	29.0	32.3	-7.1	21.1	21.5
Greasy wool	102	52	57	76	9.7	6.4	-9.2	9.7	33.3
Washed wool	23	17	29	30	2.2	2.5	2.4	70.6	3.4
Tops	87	94	114	135	8.2	11.4	4.8	21.3	18.4
Other	93	97	114	142	8.9	11.9	-16.6	17.5	24.6
Footwear, etc.	20	7	9	11	1.9	0.9	-24.8	28.6	22.2
Chemicals and relate products			50	77	12.4	6.5	5.5	35.8	54.0
Other			63	85		7.1			34.9

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

Table 17

URUGUAY: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates		
	1980	1985	1986	1987	1980	1987	1985	1986	1987
Total	1 680	715	838	1 129	100.0	100.0	-7.8	17.3	34.7
Consumer goods	177	51	79	130	10.8	11.6	0.8	54.9	64.9
Raw materials and intermediate goods	1 226	608	662	848	74.3	75.1	-7.1	8.8	28.1
Petroleum and fuels	454	223	140	166	27.5	14.7	-17.4	-37.2	18.8
Other	772	385	522	681	46.8	60.3	0.2	35.5	30.5
Capital goods	245	55	97	151	14.9	13.4	-21.1	76.4	55.3

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

Table 18

URUGUAY: INDICATORS OF EXTERNAL INDEBTEDNESS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Gross external debt	2 138	3 112	4 238	4 572	4 671	4 900	5 238	5 888
Public debt	1 165	1 447	2 688	3 180	3 163	3 551	3 829	4 228
Financial sector	186	267	1 088	1 565	1 497	1 629	1 716	1 803
Non-financial sector	996	1 197	1 617	1 632	1 638	1 922	2 113	2 425
Net external debt	-1 046	274	1 790	2 523	2 964	2 911	2 631	2 788
Private debt not guaranteed by government	974	1 665	1 550	1 392	1 508	1 349	1 410	1 660
Debt servicing	270	279	512	536	545	598	497	582
Amortization payments	105	59	168	186	96	170	126	198
Interest payments	165	220	344	350	449	428	371	384
As percentages of exports of goods and services ^a								
Debt service	17.6	16.4	39.3	41.2	42.3	47.7	33.1	37.5
Public-sector external debt	76.3	85.1	206.3	244.6	245.4	283.4	255.3	272.1
Gross external debt	140.8	183.0	325.2	351.7	362.4	391.1	349.2	378.9
Net external debt	-68.5	16.1	137.4	194.1	230.0	232.3	175.4	179.4

Source: Data compiled by the Central Bank of Uruguay.

^aExcluding sales of gold.

Table 19

**URUGUAY: PUBLIC-SECTOR COMMITMENTS IN
FOREIGN CURRENCY**

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Gross external debt of public sector	1 164	1 447	2 687	3 180	3 162	3 550	3 828	4 227
Foreign currency commitments to resident private sector	199	416	561	759	1 035	1 206	1 381	1 480
Central Bank	37	91	166	422	513	567	605	611
To private banks	37	91	166	422	513	553	579	581
To non-bank private sector	...	...	...	...	...	13	26	30
Banco de la República	142	245	207	199	263	399	466	568
To private banks	2	1	1	1	-	-	1	1
To non-bank private sector	140	244	206	198	262	399	465	567
Banco Hipotecario	...	55	139	66	99	132	135	148
To private banks	...	50	72	...	-	...	...	...
To non-bank private sector	...	5	67	66	99	132	135	148
Non-financial public sector	20	24	47	71	159	107	174	151
Total public-sector commitments in foreign currency	1 364	1 863	3 249	3 939	4 198	4 757	5 209	5 707

Source: Data compiled by the Central Bank of Uruguay.

Table 20

URUGUAY: DOMESTIC PRICES

(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987
Variation between annual averages								
Consumer price index	63.5	34.0	19.0	49.2	55.3	72.2	76.4 ^a	63.6
Food	57.9	25.6	11.7	54.1	68.8	63.0	92.5	59.6
Clothing	52.3	23.3	9.8	50.7	65.2	100.2	73.1	70.9
Housing	77.8	57.9	30.9	34.3	31.2	61.5	55.6	65.0
Miscellaneous	65.6	35.9	21.3	59.4	56.5	87.8	...	...
Wholesale price index (domestic)	41.8	23.4	12.9	73.5	77.4	76.6	67.2	63.3
Agricultural products	18.7	9.8	7.6	89.2	90.2	53.9	83.7	67.7
Crop-farming products	49.9	14.0	12.4	84.9	65.4	60.2	85.5	40.7
Livestock products	3.8	6.9	4.1	92.5	109.1	50.1	82.6	85.4
Manufactured products	51.6	28.0	14.4	69.3	71.6	84.1	62.6	61.8
December to December variation								
Consumer price index	42.8	29.4	20.5	51.5	66.1	83.0	70.7 ^a	57.3
Food	33.5	25.2	13.3	59.7	77.5	72.2	91.9	42.2
Clothing	27.7	18.8	8.0	64.7	89.6	92.0	76.0	62.7
Housing	63.7	42.9	28.8	30.9	38.9	77.1	42.6	72.2
Miscellaneous	47.9	26.3	27.9	59.8	68.1	102.8	...	...
Wholesale price index (domestic)	28.6	14.9	33.5	73.8	84.0	74.2	66.9	57.2
Agricultural products	16.7	5.2	17.9	118.6	90.3	41.1	108.5	39.3
Crop-farming products	68.3	14.2	-5.5	111.1	70.5	71.9	79.5	25.7
Livestock products	-7.9	-2.7	41.9	123.8	103.0	24.4	130.1	47.3
Manufactured products	32.9	18.1	37.9	62.9	82.0	85.5	56.1	63.5

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay and the Statistics and Census Office.

^aAs from 1986, corresponds to the new price index (base: December 1985) involving a different breakdown.

Table 21

URUGUAY: CONSUMER AND WHOLESALE PRICE INDEXES

	Trend over last 12 months			
	Consumer price index	Wholesale price index for domestic products		
		Overall	Manufactures	Agricultural goods
1986				
January	84.2	75.2	83.1	51.4
February	85.1	73.2	81.8	46.1
March	83.2	68.0	73.4	50.7
April	74.6	56.6	59.4	47.1
May	71.7	55.5	56.5	51.9
June	74.8	63.1	62.1	67.1
July	74.0	62.5	56.1	87.6
August	74.8	67.9	57.7	107.7
September	76.5	72.3	59.3	122.8
October	78.5	75.2	62.6	123.9
November	74.9	70.0	58.7	113.9
December	70.7	67.0	56.1	108.4
1987				
January	67.9	64.1	55.6	94.9
February	67.4	66.1	55.7	106.6
March	70.0	67.5	60.3	93.8
April	66.2	65.1	58.5	89.4
May	65.7	65.6	60.7	83.3
June	65.1	62.4	59.4	73.3
July	65.3	65.1	65.8	62.9
August	63.8	64.9	66.0	61.4
September	60.7	64.4	65.5	61.4
October	60.1	60.0	62.6	52.8
November	59.9	60.6	64.2	50.1
December	57.3	57.2	63.5	39.3

Source: Data compiled by the Central Bank of Uruguay.

Table 22

URUGUAY: WAGES^a*(Variation between annual averages)*

	1980	1981	1982	1983	1984	1985	1986	1987
Nominal wages	64.4	43.6	18.3	18.3	41.0	99.3	86.7	71.3
Public sector	74.6	42.7	18.6	16.9	35.3	99.4	83.0	64.3
Private sector	54.6	44.6	17.8	20.0	47.5	99.3	89.2	76.8
Real wages	-0.4	7.5	-0.3	-20.7	-9.0	14.1	5.8	4.7
Public sector	5.9	7.1	-0.1	-21.6	-12.9	14.1	3.7	0.5
Private sector	6.3	7.9	-0.7	-19.7	-5.0	14.9	7.3	7.9

Source: Data compiled by the Statistics and Census Office.

^aCalculated on the basis of the minimum increases decreed by the government up to October 1980 and, thereafter, of the wages actually paid.

Table 23

URUGUAY: PRIVATE-SECTOR WAGES

Month of adjustment	Official guideline	Variation in wages in subsequent four-month period	Inflation in the four-month period	
			Preceding	Subsequent
1986				
February	18	20	24	17
June	15	21	17	22
October	17	22	22	18
1987				
February	16 ^a	19	18	16
June	14.5	20	16	18
October	14	20	18	15

Source: ECLAC, on the basis of official figures and press releases.

^aSet by decree.

Table 24

URUGUAY: MAIN MONETARY VARIABLES

(In billions of new pesos)

End of	Money outside banks (1)	Current account deposits (2)	Money M ₁ (3)=(1)+(2)	Time deposits d/c (4)	Subtotal M ₂ (5)=(3)+(4)	Deposits f/c (6)	Total M ₃ (7)=(5)+(6)
1980	5.1	3.6	8.7	14.9	23.6	12.5	36.1
1981	6.1	3.5	9.6	18.5	28.1	24.4	52.5
1982	7.9	3.6	11.5	20.4	31.9	59.4	91.3
1983	8.4	4.4	12.8	24.4	37.2	66.6	103.8
1984	12.1	7.9	20.0	33.7	53.6	106.0	159.6
1985	23.4	16.9	40.3	62.3	102.6	205.4	307.9
1986	43.0	28.4	71.4	93.5	164.9	373.9	538.8
1987	76.4	42.0	118.4	140.6	259.0	629.8	888.8

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

Table 25

URUGUAY: MAIN MONETARY RATIOS

*(Percentage of gross domestic product)**

	Money outside banks	Money M ₁	Time deposits d/c	M ₂	Deposits f/c	Percentage of M ₃	
						Time deposits d/c	Deposits f/c
1976	5.2	8.7	5.2	13.9	5.2	27.1	27.1
1977	4.8	7.8	5.5	13.3	9.0	24.7	40.4
1978	4.7	7.9	7.6	15.5	11.8	27.8	43.2
1979	4.3	7.7	9.7	17.4	11.0	34.1	38.7
1980	4.5	7.9	12.3	20.2	11.1	39.3	35.5
1981	4.6	7.5	13.6	21.1	15.1	37.7	41.6
1982	5.4	8.2	15.1	23.3	32.6	27.1	58.3
1983	4.4	6.5	12.0	18.5	33.8	23.0	64.6
1984	4.1	6.8	11.4	18.2	35.9	21.0	66.4
1985	4.6	7.9	12.1	20.0	40.0	20.2	66.7
1986	4.6	7.6	9.9	17.5	39.6	17.4	69.4
1987	4.7	7.3	8.7	16.0	38.9	15.8	70.8

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

*Based on annual averages calculated using the subtotals of year-end data.

Table 26

**URUGUAY: CENTRAL BANK MONETARY BALANCE, FACTORS OF
CREATION AND ABSORPTION**

	As percentage of	
	Issues as of 31/12/1986	Variation in issues
Issues	71.7	100.0
Creation	148.8	207.5
Net international reserves	19.3	26.9
Credit to public sector ^a	46.2	64.4
Credit to banking system ^a	7.0	9.8
Credit to Banco Hipotecario ^a	48.3	67.3
Other net accounts	28.0	39.1
Absorption	-77.1	-107.5
Monetary Regulation Notes	-16.5	-23.0
Credit to private sector ^a	-0.4	-0.5
Banco de la República demand deposits	-55.4	-77.3
Private bank demand deposits	-4.8	-6.7

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

^aRefers to net assets/liabilities position. Thus, a withdrawal of deposits registers as an increase in credit.

Table 27

URUGUAY: REAL INTEREST RATES IN LOCAL CURRENCY

(Annual percentage)

End of quarter	Nominal rate			Price index (12 months previously)	Real rate		
	Private banks		CBU		Private banks		CBU
	Deposits	Loans (prime)	Deposits		Deposits	Loans	Deposits
1985							
IV	74.4	80.0	73.0	83.0	-4.7	-1.6	-5.5
1986							
I	69.0	76.0	73.0	83.2	-7.8	-3.9	-5.6
II	59.2	82.0	66.0	74.8	-8.9	4.1	-5.0
III	55.8	75.8	60.0	76.5	-11.7	-0.4	-9.3
IV	59.2	73.4	67.0	70.6	-6.7	1.6	-2.1
1987							
I	58.4	72.0	67.0	70.0	-6.8	1.2	-1.8
II	59.4	77.0	67.0	65.1	-3.5	7.2	1.2
III	61.2	76.0	68.0	60.7	0.3	9.5	4.5
IV	63.5	78.0	72.0	57.3	3.9	13.2	9.3

Source: ECLAC, on the basis of figures provided by the Central Bank of Uruguay.

Note: The real rate is calculated by deflating the nominal rate by the annual inflation of the previous year, on the assumption that the public's expectations are based on an extrapolation of that rate.

Table 28

URUGUAY: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of new pesos				Growth rates		
	1980	1985	1986	1987 ^a	1985	1986	1987 ^a
Current income	15	77	150	271	92.9	94.8	80.7
Domestic taxes	11	58	110	210	107.2	89.7	90.9
Taxes on external trade	3	10	24	40	72.8	140.0	66.7
Other income	1	9	16	21	43.3	77.8	31.3
Current expenditure	13	84	147	262	65.4	75.0	78.2
Current saving	2	-7	3	9			
Investment	2	8	14	31	59.0	75.0	121.4
Total expenditure	15	91	161	293	64.8	76.9	82.0
Deficit (-) or surplus (+)	-	-15	-11	-22			
Financing	-	15	11	22			
Central Bank/Banco de la República credit (net)	-	1	-7	-13			
Net sales of securities	-	16					

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.

Table 29

URUGUAY: CENTRAL GOVERNMENT INCOME, EXPENDITURE AND DEFICIT

	As a percentage of GDP			Deficit as a percentage of expenditure
	Income	Expenditure	Balance	
1976	13.6	16.2	-2.6	15.9
1977	14.8	16.0	-1.2	7.6
1978	14.1	15.4	-1.3	8.4
1979	14.5	14.4	0.1	...
1980	16.1	16.1	...	...
1981	17.4	17.5	-0.1	0.5
1982	15.2	23.9	-8.7	36.4
1983	15.6	19.6	-4.0	20.1
1984	13.5	18.8	-5.3	28.3
1985	14.9	17.8	-2.9	16.0
1986	15.9	17.1	-1.2	7.0
1987	16.7	18.1	-1.4	7.5

Source: Data compiled by the Central Bank of Uruguay and Office of the Comptroller-General.

Table 30

URUGUAY: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

(Percentage variations)

	1985		1986		1987	
	Nominal	Real	Nominal	Real	Nominal	Real
Current income	92.9	12.0	95.2	10.6	80.8	10.6
Domestic taxes	107.3	20.3	87.7	6.4	91.6	17.2
On production and transactions	98.8	15.4	80.5	2.3	85.9	13.3
Value added	89.5	10.0	85.2	5.0	88.8	15.5
Fuels	105.2	19.2	61.0	-8.7	80.9	10.6
Tobacco	83.3	6.4	58.6	-10.9	59.7	-2.3
Other indirect taxes	153.5	47.2	110.0	19.0	91.3	17.0
On income	61.9	-6.0	138.8	35.4	115.8	32.0
On wealth	125.8	31.1	115.0	21.9	91.7	17.2
Other	218.3	84.8	60.6	-9.0	377.2	191.9
Less: documents received	35.5	-21.3	88.7	7.0	82.3	11.5
Taxes on external trade	72.8	0.3	130.4	30.6	68.6	3.1
On imports	92.5	11.8	135.0	33.2	...	...
On exports	-10.1	-47.7	111.7	20.0	...	...
Customs and other duties	78.4	3.6	108.5	18.2	...	...
Other income	43.3	-16.8	104.5	15.9	26.9	-22.4
Current expenditure	65.4	-3.9	75.5	-0.5	78.5	9.2
Remunerations			87.0	6.0	72.6	5.6
Social security contributions and financial assistance	71.3	-0.5	58.9	-9.9	87.2	14.5
Purchase of goods and services	61.1	-6.4	127.5	29.0	80.8	10.6
Interest on public debt	98.9	15.5	59.4	-9.6	51.1	-7.6
Other	12.7	-34.5	45.7	-17.4	107.6	27.0
Investment	59.0	-7.7	84.2	4.4	115.6	31.9
Total expenditure	64.8	-4.3	76.3	...	81.8	11.2

Source: ECLAC, on the basis of figures provided by the Office of the Comptroller-General.

Table 31

URUGUAY: PATTERN OF CENTRAL GOVERNMENT EXPENDITURE

(Percentages)

	1980	1985	1986	1987
Total	100.0	100.0	100.0	100.0
Remunerations		29.9	31.8	30.1
Contributions and transfers to the social security system	63.5	29.0	26.2	26.9
Transfers to public bodies ^a	5.3	8.5	6.2	8.0
Non-personal expenditure	16.6	12.2	15.8	15.7
Interest on public debt	2.2	11.5	10.4	8.6
Capital expenditure	12.1	8.5	8.9	10.6
Other	0.3	0.4	0.8	...

Source: Up to 1981, Office of the Comptroller-General. As from 1982, combined figures prepared by the National Treasury and the Office of the Comptroller-General.

^aIncludes advances, subsidies, grants and National Housing Fund.

VENEZUELA

1. Recent economic trends: Introduction and summary

The behaviour of the Venezuelan economy in 1987 was marked by strong contrasts. The gross domestic product surpassed its 1980 level for the first time, but its growth rate (3%) did not reach even half of that registered the previous year. Unemployment fell to 10%, the lowest rate in recent years. At the same time, however, inflation soared to the point where the increase in consumer prices over 12 months reached more than 40% by December, an unprecedented figure. External accounts improved substantially: the current account deficit was cut by almost half, to around US\$1.1 billion, and the capital account showed a slight positive balance for the first time in the decade. Even so, official international reserves continued to dwindle, reaching their lowest level since 1981 by the end of the year (see table 1 and figure 1).

One of the determining factors in these contrasts was the devaluation of the bolívar by nearly 100% at the end of 1986. This increased the public sector surplus as expressed in local currency, allowing for an expansion of government spending which strongly exacerbated inflation. Consequently, domestic activities remained fairly buoyant, so that the slowdown in the expansion rate of the total gross domestic product must be largely attributable to the reduction in petroleum production decided by OPEC.

The devaluation did not contribute, however, to the improvement shown in external accounts. Although the price of the dollar on the free market rose steadily to more than double the official exchange rate, the effective devaluation rate for most commercial operations was only 25%. Accordingly, imports grew by 13%, but this growth was largely offset by the 22% rise in exports following the recovery of international oil prices.

The strengthening of the trade surplus led to a considerable decrease in the current account deficit. The capital account balance, from one year to the other, rose from US\$-2 billion to a modest surplus (US\$225 million); this turnaround was essentially due to the expansion of short-term commercial credit. The foreign debt increased for the first time since 1982; nevertheless, these flows were used almost entirely to amortize the debt, with payments increasing to US\$2.3 billion. Consequently, official international reserves dropped for the second consecutive year, to their lowest level since 1981 (see table 1 and figure 1).

2. Trends in productive activity

The expansion rate of the total gross domestic product fell by half, to slightly over 3%. This slowdown was basically due to the drop in export volume. Petroleum activity expanded by a scant 2%, as against 7% the preceding year. The domestic availability of goods was stimulated by other branches of domestic activity and by the continuing recovery of imports. Thus, domestic demand kept expanding at a much higher rate than the product (see tables 2 and 3).

The tightening of petroleum activity was principally due to the OPEC agreements in late 1986 to cut production and sales in an effort to restore the international price of crude oil. Domestic production of crude oil dropped by 5%; refining, however, fell by 14%, owing to the internationalization strategy adopted in 1985 by the State-owned company, *Petróleos Venezuela* which led to the processing of large volumes of crude oil in subsidiaries located in the consumer countries (see table 4).

The petroleum price on foreign markets recovered somewhat from its extremely low levels of the previous year, a trend which was bolstered by the declining significance of heavy crude oil—which was cheaper on international markets—within total exports. Thus, the average price of hydrocarbon exports rose by 28%, although this represented barely 62% of the 1980 price (see figure 2).

Figure 1
VENEZUELA: MAIN ECONOMIC INDICATORS

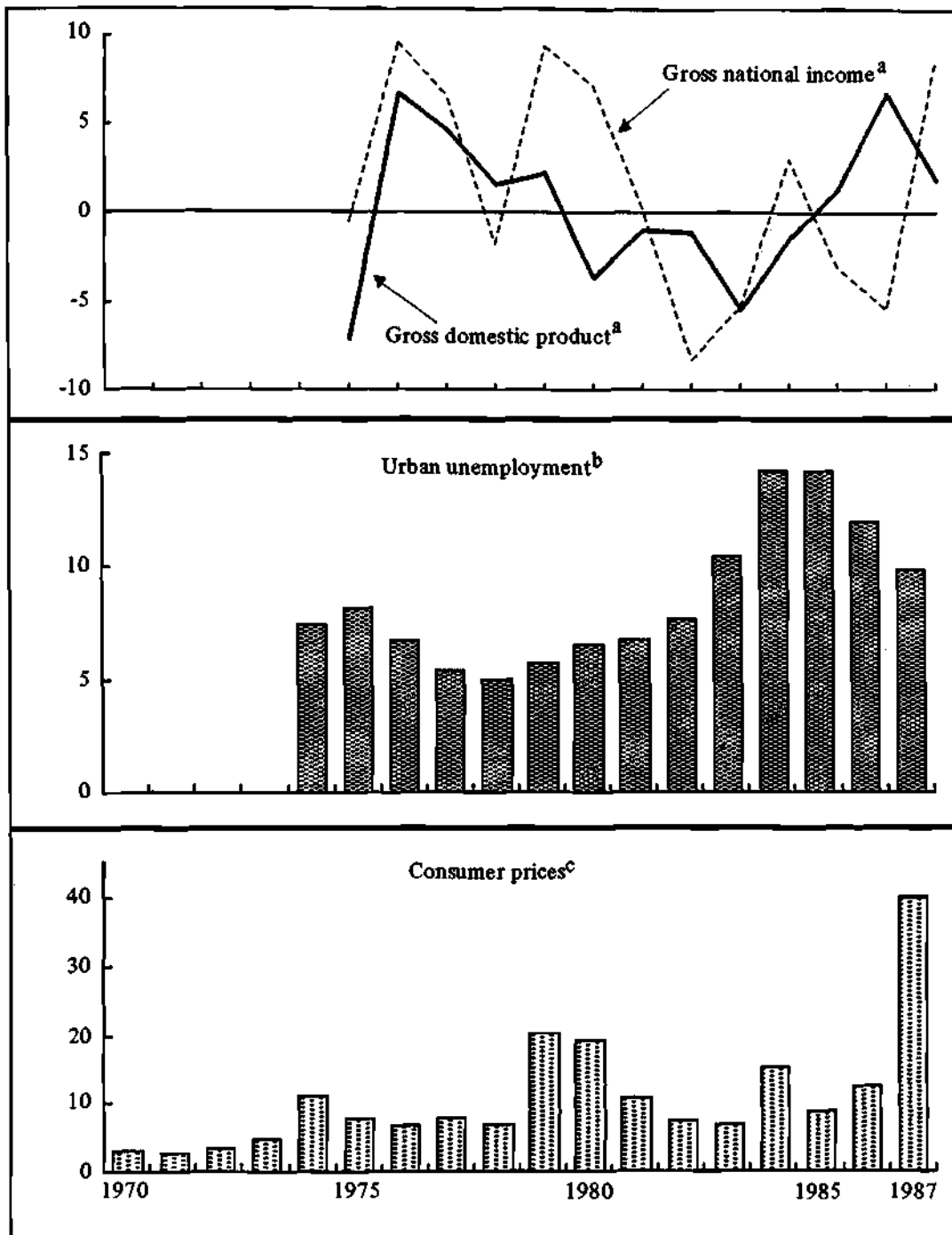
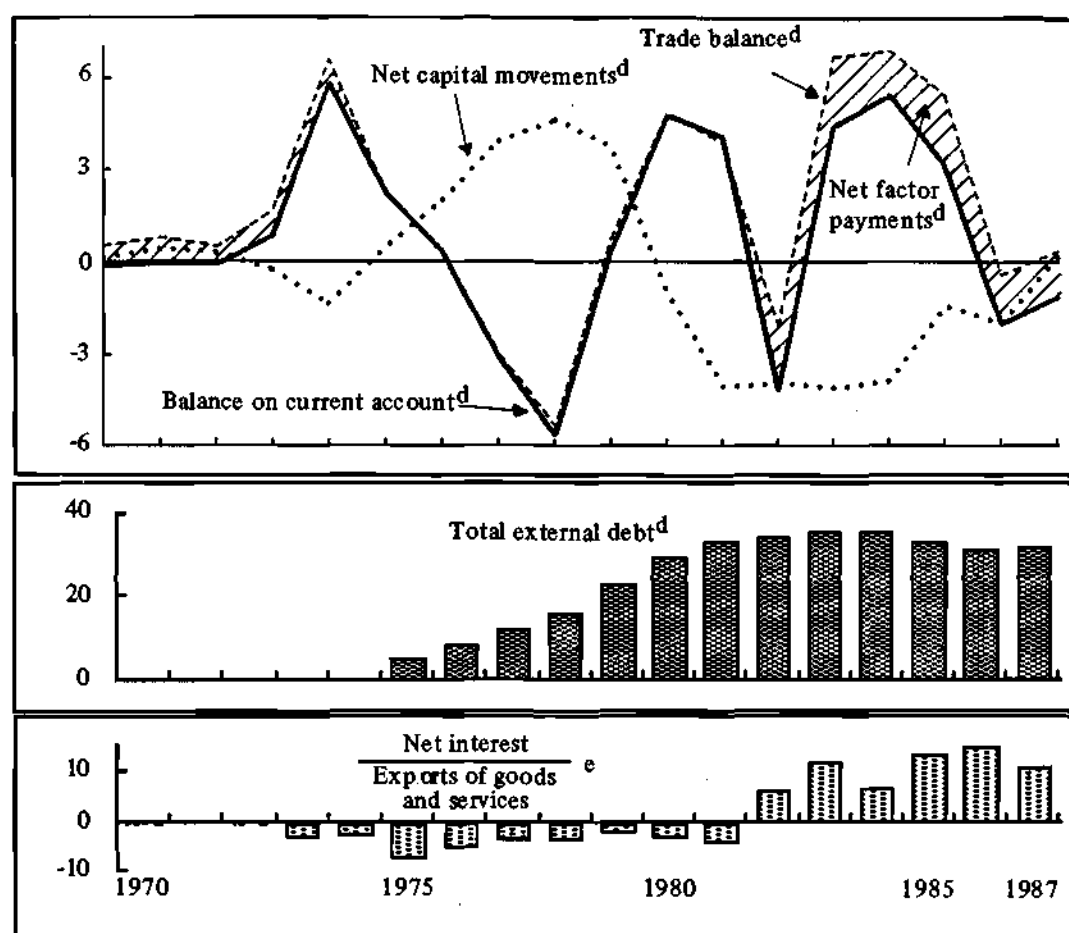


Figure 1 (concluded)



Source: ECLAC, on the basis of official figures.

^aAnnual growth rate.

^bAverage annual rate for the whole country (urban areas).

^cPercentage variation, December - December.

^dBillions of dollars.

^ePercentages.

The receipts of *Petróleos Venezuela* increased substantially, owing to both the rise in external prices and the 94% devaluation of the official petroleum exchange rate in July 1987. This enabled the company to cover the full costs of domestic diversification programmes (see table 4).

The expansion rate of the non-petroleum domestic product dropped from 9% to just under 5%. All sectors, except electricity, gas and water, showed positive rates. The highest rates corresponded to agriculture, mining, construction and certain specialized service branches, but they were substantially lower than in 1986.

The notable decrease in the growth rate of the agricultural product was due to the virtual stagnation in the amount of land planted after years of vigorous expansion, although the producer incentives policy, which includes price adjustments, fertilizer subsidies and improvements in physical and storage infrastructure, continued. Most harvests, especially that of cereals, increased moderately, but export crops showed marked progress. The slaughter of pigs and poultry and the production of poultry expanded appreciably, thus consolidating the redirection of demand that had been spurred by domestic price adjustments (see table 5).

The poor prospects of the international steel market considerably inhibited the production of iron ore. This largely explains the loss of dynamism in mining, whose growth rate dropped from almost 19% to a little more than 8%. It should be noted, however, that there was a considerable

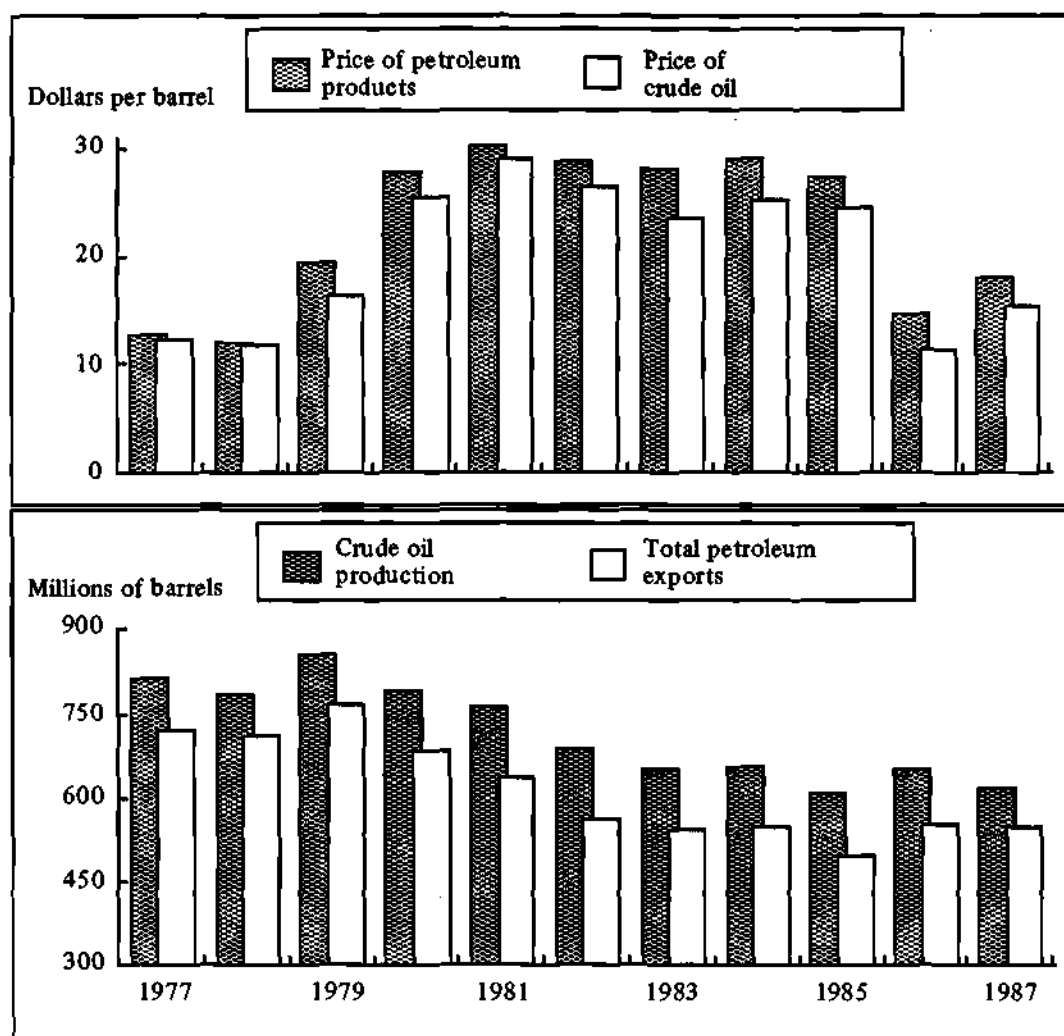
increase in gold mining owing to the new Central Bank policy for marketing non-monetary gold (see table 6).

The slowdown was even more severe in manufacturing and construction (see table 3). The performance of the industry was markedly affected by the drop in volume of petroleum refining (-14%). Moreover, the growth rate of other manufacturing activities fell from 9% to scarcely 4%, as a result of the downturn in domestic demand for industrial goods. In some cases, such as food and textiles, an additional factor was the shortage of inputs resulting from the drop in domestic activity and the imposition of restrictions on importing.

Trends in the consumer goods industries were mixed. The production of beverages rose substantially, while that of food, textiles and clothing declined. The main thrust behind intermediate goods came from State-owned enterprises, which considerably augmented their production of steel, aluminium and gold; on the other hand, the production of inputs for construction slumped. Lastly, the production of capital goods, equipment and transport material decreased, as a result of high price rises during the year (see table 7).

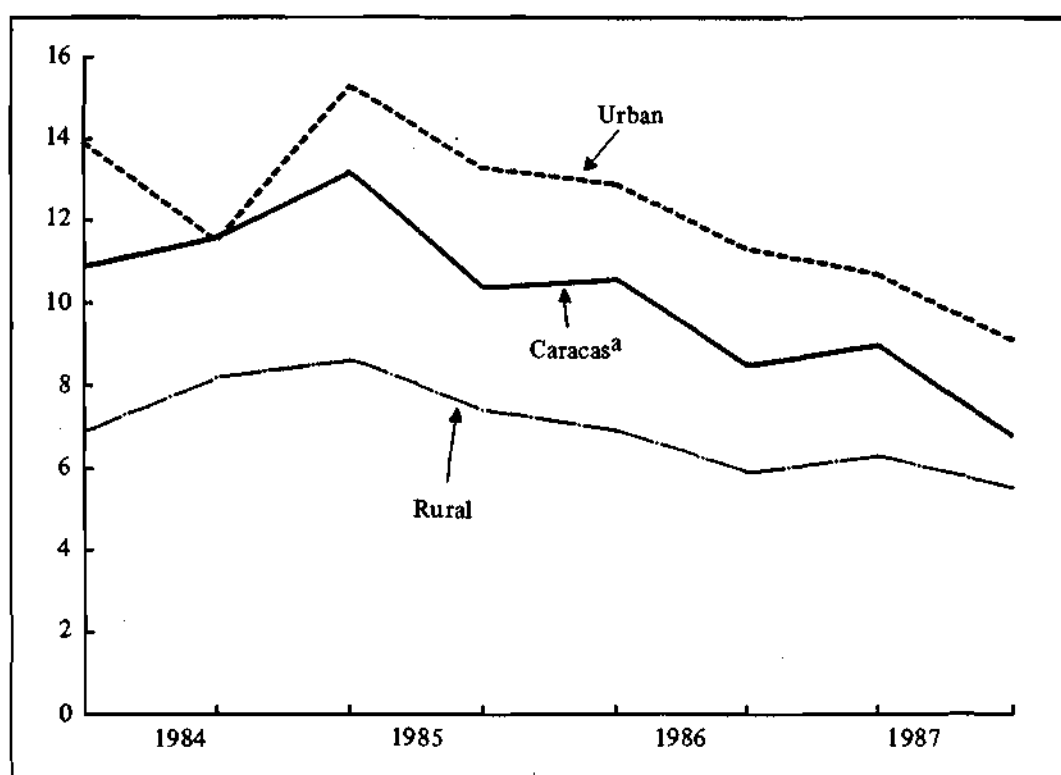
Figure 2

VENEZUELA: INDICATORS OF THE PETROLEUM SECTOR



Source: ECLAC, on the basis of figures provided by the Central Bank of Venezuela and Petróleos de Venezuela, S.A.

Figure 3
VENEZUELA: UNEMPLOYMENT
(Percentages)



Source: ECLAC, on the basis of figures provided by OCEI.

^aMetropolitan area.

The construction growth rate, especially that of the public sector, also dropped, as a result of the postponement of a series of projects already approved. On the other hand, private activity increased for the first time in the past six years, stimulated by the prospect of inflation. However, a tighter monetary policy was put into effect which resulted in greater restrictions on mortgage loans, and this had an unfavourable effect on the average plot size and type of unit built (see table 8).

Another activity which slowed down was commerce (see table 9). Tourism stagnated, owing to the substantial price rise in hotel services and the declining flow of tourists. Lastly, in keeping with the drop in real income, the provision of personal services increased by only 2%.

The growth of domestic activities, although at a declining rate, led to a further drop in open unemployment, which fell to its lowest level in five years. For the second consecutive year employment increased by more than 5%, thanks to a generalized upswing in demand for labour, except in agriculture and mining. The rise in urban employment was considerable, but unemployment continued to be very high in construction. Unemployment in rural areas, unlike in the cities, has maintained moderate levels and has been declining more slowly (see table 10 and figure 3).

3. The external sector

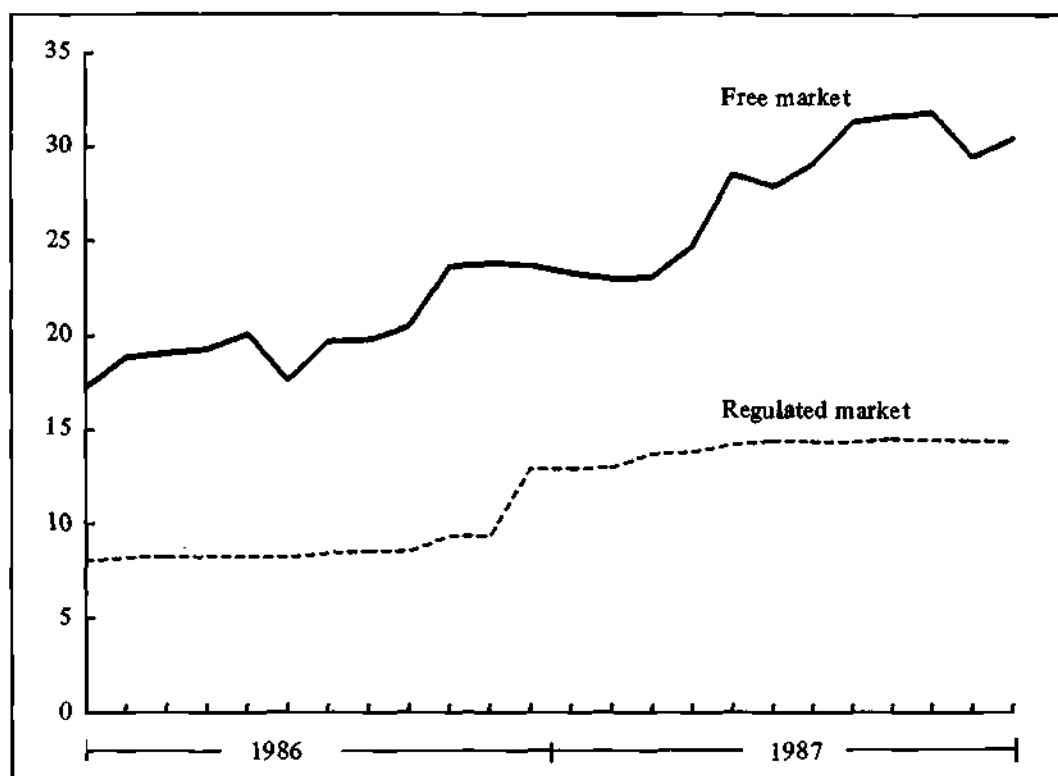
After the marked deterioration in 1986 resulting from the sharp drop in the international price of petroleum, external accounts improved notably, although they continued to show a large deficit. The goods trade surplus almost doubled, to over US\$1.7 billion, and the current account deficit was cut by nearly half. The capital account made a spectacular turnabout, climbing from a deficit of almost

US\$2 billion to a surplus of US\$225 million. Thus, the deficit in the balance of payments was reduced from nearly US\$4 billion to only US\$900 million. However, this meant that international reserves dropped to their lowest level since 1981.

As a result of the slump in international oil prices in 1986, the government decreed a sharp devaluation of the bolívar at year end, and the commercial exchange rate consequently jumped by 93%, from 7.50 to 14.50 units per US\$ (see table 11). The measure was complemented in July 1987 by a comparable modification of the petroleum exchange rate, to alleviate the financial crisis of *Petróleos de Venezuela*. Nevertheless, the effects of this devaluation were gradual, rather than immediate, in that a "preferential" exchange rate was continued for some imports for most of the year. Thus, 56% of imports were paid for at the 7.50 exchange rate, while the real effective devaluation was only 25% (see table 11).

The free market dollar was affected by strong upward pressures, and hence the gap between its price and that of the official dollar widened (see figure 4). At the same time, the presence of the Central Bank in the free market almost doubled, to the point where its operations represented more than 12% of the outflow of foreign exchange, the highest proportion since the outbreak of the external crisis. To control demand in this market, the Central Bank adopted a set of measures in the second half of the year for restricting the activity of exchange operators. At the same time, the procedures for acquiring foreign exchange for imports were streamlined, as could be seen in the acceleration of Central Bank outlay under this heading. Thus, the free exchange rate remained more or less stable in the last quarter of the year (see figure 4).

Figure 4
VENEZUELA: EXCHANGE RATES
(Bolívars per dollar)



Source: ECLAC, on the basis of figures provided by the Central Bank of Venezuela.

The value of imports increased by 13%, thus speeding up the recovery shown by this variable since its dramatic 53% fall in 1984. This upward trend is partly explained by the rise in unit value of imports, but more essentially by a significant increment in physical volume (see table 12). Imports of raw materials, particularly construction materials and chemicals, increased the most (see table 13). Purchases of food recovered appreciably, after two years with an accumulated drop of more than 70%. On the other hand, imports of other consumer goods, especially durables, fell off appreciably. Finally, capital goods imports declined markedly (7%), a trend which was especially notable in transport materials.

The rise in goods exports was much greater still (22%), but it occurred at the end of two years of considerable decrease, with a cumulative decline of about 40%. Although the volume of hydrocarbon exports contracted by 2%, their value increased by 19%, thanks to the recovery of the sales price (see tables 4 and 14). Thus, the terms of trade improved 24% after the 40% setback suffered in 1986 (see table 12).

The remaining exports showed mixed behaviour. Most non-traditional branches dominated by the private sector, particularly fruit and cement, were adversely affected by the implicit revaluation of the dollar resulting from the December 1986 exchange rate measures, which meant that these products were sold at the commercial rate instead of the free rate. The unfavourable results of this decision were not offset by the increase in fiscal incentives for these exports nor by the implementation of the Programme of Basic Inputs for Export (PIBE), which consisted of a rotating fund of foreign exchange for the purchase of inputs required for the production of exportable goods. Conversely, exports of chemicals and aluminium increased significantly, thanks to better conditions in international markets. Lastly, non-monetary gold began to be exported in December in an amount close to US\$50 million.

Goods trade thus showed a surplus of more than US\$1.7 billion, almost double that of the previous year. On the other hand, the deficit in services was comparable to the 1986 deficit (see table 15). In fact, the impact of the fall in the interest rate on the renegotiated debt was fully offset by the drop in interest received—a phenomenon which in turn was due to the eroding of official holdings of foreign exchange—and by the increase in payments for real services. Altogether, the current account showed a deficit of about US\$1.1 billion, or 45% lower than in the previous year and the lowest in this decade.

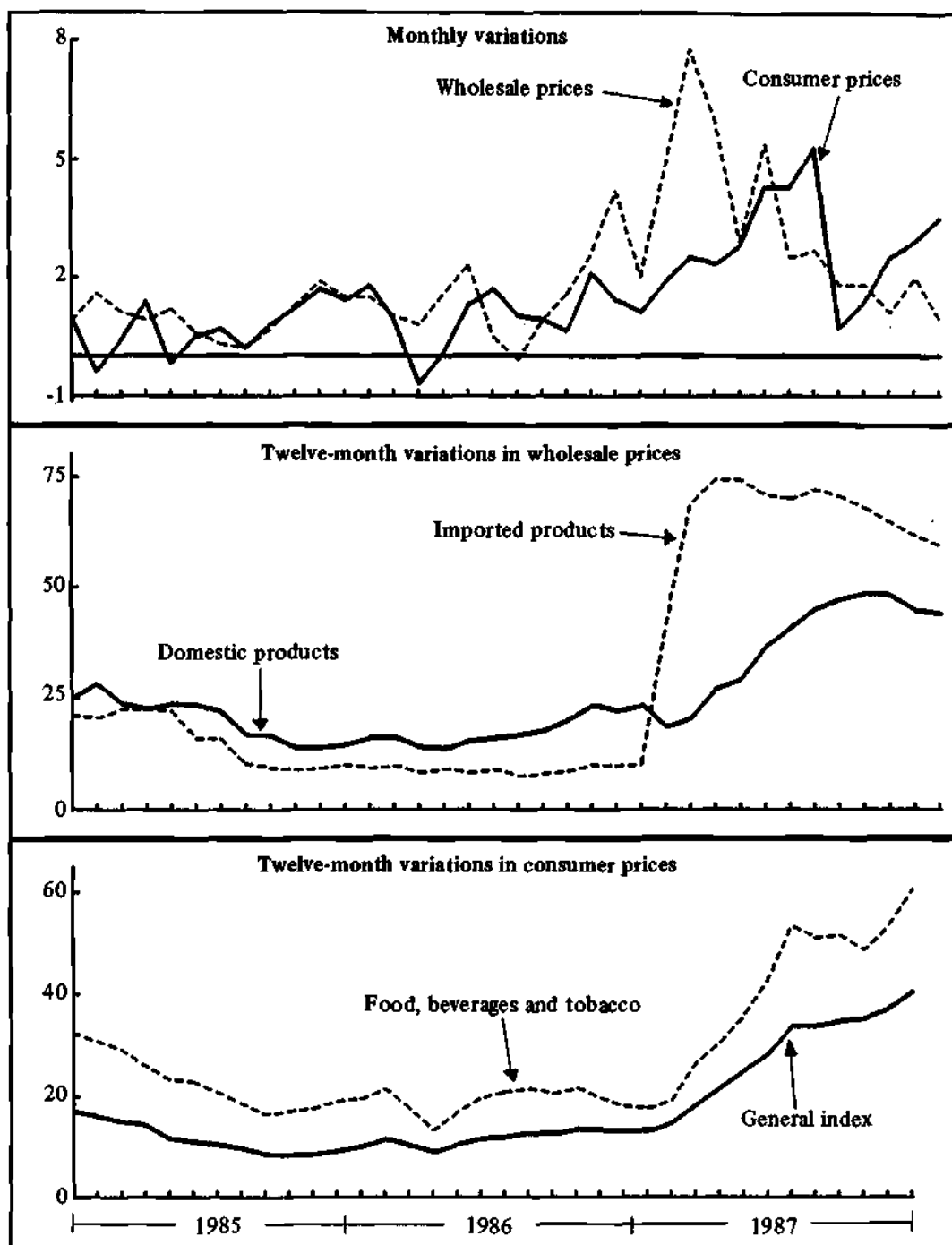
Although modest—scarcely US\$225 million—the capital account surplus was the first of this decade and was achieved after a deficit of close to US\$2 billion in 1986. This spectacular turnabout was basically due to the expansion of credit received, above all short-term credit lines, which increased by almost US\$1.3 billion.

Most of these additional resources were used, however, for amortization payments on the foreign debt; these payments rose substantially, to nearly US\$2.3 billion. Consequently, the international reserves of the Central Bank were once again eroded, this time by about US\$500 million. A similar drop occurred in the reserves of the Venezuelan Investment Fund, and total official reserves thus contracted about US\$930 million, representing 30% of that of 1986 (see tables 15 and 16).

This erosion was mitigated by the effect of the marked drop in the value of the dollar on international markets in 1987, which meant an increase in the valuation of holdings in Special Drawing Rights and in reserves in currencies other than the United States dollar. Nevertheless, by the end of 1987, the operating reserves of the Central Bank had dropped below US\$4.5 billion, representing half of the 1985 figure (see tables 16 and 17).

The availability of external financing expanded considerably and the amount of foreign debt increased for the first time since 1982 (see table 18). The increase was concentrated in short-term commercial credit, whose proportion of total debt exceeded 22%. On the other hand, the medium- and long-term debt went down for the third consecutive year. In fact, the considerable disbursements for amortization payments on the foreign debt, both private and non-renegotiated public—categories which together represent 35% of total obligations—widely surpassed long-term loans. Included in these loans were various credits for financing the investment plans of the public mining and transport enterprises and a US\$300 million loan to support the balance of payments of the Andean Reserve Fund.

Figure 5
VENEZUELA: DOMESTIC PRICES
(Percentages)



Source: ECLAC, on the basis of official figures.

The renegotiation agreement with the international banks was amended in September to include a reduction from 1.125 to 0.875 in the interest rate over LIBOR, as well as an extension from 12 to 14 years in the amortization period. The debt service/goods and services exports ratio dropped more than 10 percentage points from the excessive 53% of the previous year, but continued to represent a significant proportion of national exports (see table 18).

4. Prices and wages

There was a marked upsurge in inflation, to the point where the 12-month variation in the consumer price index had reached 40%, an unprecedented rate in Venezuela, by the end of the year (see table 19). Wholesale prices rose even faster (48%). The variations between the annual averages of these indexes were more moderate, but they also amply surpassed the figures seen thus far.

The acceleration of inflation was primarily due to the December 1986 devaluation, whose effects spread rapidly and generally (see figure 5). This impact was strengthened by an initially expansive wage policy, at least with respect to the minimum wage.

The freezing of the prices of a basket of commodities, which went into effect in May to ease the loss of purchasing power of the lower-income strata, had limited effects because of shortages of agricultural goods. Food prices continued to rise until August, when they stabilized and total inflation was significantly eased. It surged again in the last quarter, however, owing to the gradual elimination of the preferential exchange rate for various imports (see figure 5).

The prices of imported and agricultural goods rose more than the average (59% and 50%, wholesale). The relative rise in price of food was even greater if consumer prices are taken into account.

The wage policy was expansive because it was meant to ease the effect of the continued price rise on lower-income strata. At the beginning of the year minimum wages were augmented by 33% in urban areas and 25% in rural areas (see table 20). In addition, in May, a general wage increase was decreed through the granting of a special compensatory bonus equivalent to 20% to 30% of the wage. However, as a result of the considerable simultaneous pressure of inflation, the minimum urban wage improved scarcely 1% in real terms, recovering a minimum part of the deterioration suffered in 1986 while the average real income of urban workers dropped by 6% in the first half of the year (see table 20).

5. Monetary and fiscal policy

Fiscal receipts and outlays increased significantly, in contrast to the previous year, when the former declined and the latter expanded only moderately (see table 21). The evolution of these two variables was affected by the devaluation of the bolívar, complemented in terms of receipts, by the recovery of the petroleum market and in terms of outlay, by the persistence of a policy to increase public demand. The expansion of disbursements was slightly less than that of receipts, so the deficit of the fiscal budget and the public sector as a whole, decreased appreciably.

After contracting by 6% in 1986, fiscal receipts increased by almost 50%. Petroleum income, which had declined by about 30%, soared by almost 60%, as a result of the recovery of the petroleum price on international markets and the devaluation, in the second half of the year, of the petroleum exchange rate. Non-petroleum revenue also increased substantially, thanks to the income tax reform and the raising of various indirect taxes. The devaluation at the end of 1986 caused a notable increase in income from custom duties and exchange profits (see table 21). The share of petroleum income in total fiscal revenue, however, continued below 50% (see table 22).

Total fiscal expenditure increased by 47%, the highest rate since the beginning of the decade, owing especially to the rise in current disbursements (57%). As a result of the devaluation, interest payments almost doubled, coming to represent 22% of current government expenditure, the highest ratio in recent years. Wage payments also grew substantially (51%) following the application of a more expansive wage policy. Lastly, current transfers rose by more than 50%, owing to higher fertilizer, milk and flour subsidies.

Investment expenditure was included in the framework of the Three-Year Investment Plan, adopted in 1985 for the purpose of sustaining the levels of domestic activity. Although real investment increased by 41%, delays in carrying out many of the projects meant that it represented scarcely 67% of the amount originally programmed. Financial investment increased by scarcely 13%, as a result of changes in the ways of financing public enterprises.

Current savings, however, covered almost all capital expenditure, and the ratio of the fiscal deficit to the product went down to only 0.1% (see table 22). The gap was covered by the intensive use of domestic sources of financing, including the placing of Treasury certificates for 7.6 billion bolívares and the sale of public bonds to public sector entities showing surpluses. Lastly, the liquidation of the Exchange Rate Clearing Fund, created in 1984, provided almost 10 billion bolívares; however, as a result of the delayed implementation of the various investment programmes, a large part of this financing accumulated as Treasury reserves, which increased by more than 50% and came to represent 4% of the domestic product.

The deficit of the public sector as a whole decreased even more markedly and came to represent barely 0.2% of the domestic product (see table 23). A major influence in this process was the notable growth in current income, resulting in turn from the considerable financial surplus generated once again by *Petróleos de Venezuela*, after the 1986 deficit. The operational results of the other public enterprises also improved with the decreeing of adjustments in various rates, especially transport and electricity.

The increased stock trading activity of the Venezuelan Investment Fund in some State enterprises —producers of bauxite, aluminium and steel and electric power— to help finance their investment programmes, provided a healthy stimulus to capital income. Current expenditure increased by 48%, owing, as in the case of fiscal disbursements, to the sharp rise in payments for wages and interests. On the other hand, capital expenditure increased moderately (25%). The increase in income, however, widely exceeded that of expenditures, and the total deficit was reduced appreciably (see table 23).

The worsening of inflation and the expansion of fiscal spending considerably accelerated the growth rate of monetary aggregates. Money increased by 36%, as a result of the low opportunity cost of holding cash in a context of high inflationary expectations and strongly negative real interest rates (see tables 24 and 25). Thus, both the velocity of circulation and the monetary multiplier grew significantly. On the other hand, quasi-money increased by only 16%, following the rearrangement of the public portfolio in favour of more liquid instruments as against savings and time deposits. In turn, the demand for credit expanded markedly.

A more restrictive monetary policy was adopted to counteract the expansive effect of fiscal spending and the greater demand for negotiable balances resulting from the high level of prices. Thus, the Central Bank decreased both the net flow and the average term of its credit support to the banking system, while strengthening its presence on the stock market. In May it also opened its own "money counter", which allowed it to attract very short-term deposits with unregulated interest rates, in order to contain the expansion of bank credit.

However, the Central Bank continued its programme of special assistance to long-term credit institutions. In particular, the mortgage financing system continued to show strong dependence on the financial support of the Central Bank which in 1987 supplied about two-thirds of the resources with which this subsystem operated.

Table 1

VENEZUELA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Indexes (1980 = 100)							
A. Basic economic indicators							
Gross domestic product at market prices	99.0	97.8	92.4	91.1	92.2	98.5	101.5
Gross national income	100.1	91.8	87.0	89.6	86.8	82.0	89.3
Population (millions of inhabitants)	15.49	15.94	16.39	16.85	17.32	17.79	18.30
Per capita gross domestic product	96.0	92.2	84.7	81.2	80.0	83.2	83.3
Growth rates							
B. Short-run economic indicators							
Gross domestic product	-1.0	-1.2	-5.5	-1.5	1.3	6.8	3.0
Per capita gross domestic product	-4.0	-4.0	-8.1	-4.2	-1.4	4.0	0.2
Urban unemployment rate ^{bc}	6.8	7.8	10.5	14.3	14.3	12.1	9.9
Gross national income	0.1	-8.3	-5.3	3.0	-3.1	-5.5	8.8
Consumer prices ^d							
December-December	11.0	7.8	7.0	15.6	9.1	12.7	40.3
Variation between annual averages	16.0	9.7	6.3	12.2	11.4	11.6	28.1
Real salaries and wages ^e	-5.7	-4.7	-1.6	-5.0	-9.9	1.4	-12.0
Money	7.1	-8.4	30.6	7.6	12.5	22.8	35.7
Current government income	47.8	-15.6	-8.2	38.2	8.7	-6.4	49.2
Total government expenditure	31.9	-6.3	-11.4	18.6	11.2	5.3	46.5
Fiscal deficit/total government expenditure ^b	6.1 ^f	11.3	8.1	12.3 ^f	9.9 ^f	2.2	0.5
Fiscal deficit/gross domestic product ^b	1.9 ^f	3.4	2.2	2.7 ^f	12.1 ^f	0.5	0.1
Current value of exports of goods and services	4.9	-16.1	-9.9	6.2	-10.7	-36.5	18.4
Current value of imports of goods and services	13.1	14.8	-53.8	9.0	-2.9	3.1	9.9
Terms of trade (goods)	2.7	-8.1	6.9	11.2	-7.5	-39.8	24.2
Millions of dollars							
C. External sector							
Trade balance (goods and services)	3 835	-2 077	6 745	6 910	5 397	-374	399
Net payments of profits and interest	-574	1 530	2 107	1 354	2 182	1 544	1 374
Balance on current account	4 026	-4 222	4 451	5 447	3 112	-1 990	-1 103
Balance on capital account	-4 047	-3 944	-4 116	-3 858	-1 402	-1 969	225
Variation in net international reserves	1 100	-7 635	283	1 818	1 747	-2 908	-934
External debt	33 411	35 061	36 208	36 081	33 826	31 636	32 252

Source: ECLAC, on the basis of official data.

^aPreliminary figures.^bPercentages.^cAverage of two six-month periods.^dIn the Caracas metropolitanarea. ^eAverage income per employed person in urban areas, deflated by the variation in consumer prices in the Caracas metropolitan area. Average of two 6-month periods. For 1986, second six months.^fFiscal surplus.

Table 2

VENEZUELA: TOTAL SUPPLY AND DEMAND

	Indexes (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total supply	87.4	93.0	96.5	129.8	123.4	1.3	0.8	6.4	3.8
Gross domestic product at market prices	92.2	98.5	101.5	100.0	100.0	-1.5	1.3	6.8	3.0
Imports of goods and services	71.2	74.5	79.6	29.8	23.4	15.0	-1.0	4.7	6.8
Total demand	87.4	93.0	96.5	129.8	123.4	1.3	0.8	6.4	3.8
Domestic demand	88.2	95.4	102.4	90.5	91.3	0.1	2.8	8.2	7.3
Gross domestic investment	66.5	72.5	87.2	24.7	21.2	36.1	6.1	9.0	20.2
Gross fixed investment	62.4	72.0	71.5	25.2	17.8	-18.9	5.3	15.4	-0.7
Total consumption	96.3	104.0	108.1	65.8	70.1	-6.3	1.9	8.0	3.9
Exports of goods and services	85.6	87.5	82.8	39.4	32.1	4.4	-3.4	2.2	-5.4

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aPreliminary figures.

Table 3

**VENEZUELA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY**

	Index at constant prices ^a (1980 = 100)			Percentage breakdown		Growth rates			
	1985	1986	1987 ^b	1980	1987 ^b	1984	1985	1986	1987 ^b
Gross domestic product	92.2	98.5	101.5	100.0	100.0	-1.5	1.3	6.8	3.0
Goods	88.4	95.2	97.9	52.0	50.2	-1.6	0.5	7.6	2.8
Agriculture ^c	111.8	121.0	126.0	5.7	7.0	0.9	8.3	8.3	4.1
Petroleum and natural gas extraction	79.1	84.9	86.7	24.0	20.2	0.6	-5.8	7.3	2.2
Mining	92.3	109.5	118.5	0.5	0.9	6.7	18.1	18.6	8.2
Manufacturing ^d	106.8	114.3	117.2	16.2	18.7	3.5	4.9	7.0	2.5
Construction	51.8	56.9	59.4	5.7	3.3	-34.4	1.6	9.8	4.3
Basic services	101.4	110.2	118.7	10.9	12.8	-3.1	9.4	8.7	7.7
Electricity, gas and water	143.3	149.0	146.5	1.0	1.5	-0.1	5.6	4.0	-1.7
Transport, storage and communications	97.1	106.2	115.8	9.9	11.3	-3.6	10.0	9.4	9.0
Other services	103.1	107.7	112.2	39.7	43.3	1.8	0.7	4.5	4.2
Commerce, restaurants and hotels	97.9	106.7	109.7	8.2	8.9	-5.3	1.9	9.0	2.8
Financial institutions, insurance, real estate and business services	111.3	116.3	124.5	14.9	17.8	7.4	-0.7	4.6	7.1
Ownership of dwellings	109.9	112.9	116.0	9.3	10.7	1.0	1.7	2.7	2.7
Community, social and personal services	98.2	100.5	102.4	16.6	16.7	0.1	1.7	2.3	1.9
Government services	98.6	98.2	99.4	11.8	11.6	-0.4	-0.1	-0.4	1.2
Adjustments^e	122.5	123.7	144.7	2.7	6.3	14.9	3.8	1.0	17.0

Source: ECLAC, on the basis of figures provided by the Central Bank of Venezuela.

^aAt constant 1980 market prices.

^bPreliminary figures.

^cIncluding the livestock, forestry and fishing sectors.

^dIncluding petroleum refining.

^eIncluding adjustment for bank services, import duties and exchange rate adjustments.

Table 4

**VENEZUELA: MAIN INDICATORS OF THE
PETROLEUM INDUSTRY**

	1975	1980	1984	1985	1986	1987 ^a	Growth rates			
							1984	1985	1986	1987 ^a
Crude petroleum^{bc}										
Production	856.4	793.4	659.9	613.6	653.6	621.0	0.4	-7.0	6.5	-5.0
Exports	537.3	472.6	365.6	301.7	346.3	372.7	2.6	-17.5	14.7	7.6
Refined petroleum^c										
Production	317.0	326.8	329.5	344.0	339.8	292.0	0.5	4.4	-1.2	-14.1
Exports	224.1	213.5	189.1	199.4	213.6	178.8	-0.9	5.5	7.1	-16.3
Domestic consumption ^d	90.2	140.7	130.6	129.9	136.9	140.2	-6.8	-0.6	5.4	2.4
Use of installed capacity^e										
Extraction	...	87.1	70.2	65.2	68.9	65.4				
Refined capacity	55.8	62.7	67.9	71.6	71.0	61.0				
Reserves										
Proven ^f	18.4	19.7	28.0	54.5 ^g	55.5 ^g	58.0	8.3	...	2.0	4.5
Theoretical life ^h	21.5	24.8	42.4	88.7	85.6	93.4	7.1	...	-3.5	6.9
Gasⁱ										
Gross production	38.0	35.5	32.6	33.0	36.3	36.3	2.5	1.3	9.9	0.1
Domestic consumption	9.3	14.4	16.7	16.8	17.9	16.8	9.2	0.6	6.5	-6.1
Average price^j	11.25	26.44	26.70	25.89	12.82	16.32	5.5	-3.1	-50.5	27.3
Crude	...	25.63	25.36	24.67	11.52	15.43	6.9	-2.7	-53.3	33.9
Petroleum products	...	28.21	29.34	27.75	14.92	18.18	3.5	-5.4	-46.2	21.8
Income from sales^k	39.0	80.8	94.2	88.8	65.8	113.9	49.0	-6.2	-22.0	82.7
External	37.3	78.3	85.2	78.3	53.8	101.5	43.3	-8.7	-30.7	100.3
Domestic	1.7	2.5	9.0	10.6	12.0	12.4	120.3	17.7	13.8	3.7
Profits of petroleum enterprise^l	3.7	14.8	14.8	10.6	8.0	20.8	95.6	-28.5	-24.1	158.8
Gross fixed investment^k	1.4	9.8	10.9	11.0	15.0	16.6	-11.2	0.5	36.5	10.8

Source: ECLAC, on the basis of figures provided by the Central Bank of Venezuela and the Petróleos de Venezuela S.A., but more preliminary and therefore less reliable information than in table 3.

^aPreliminary figures. ^bIncludes condensate. ^cMillions of barrels. ^dCorresponds to domestic and industrial consumption, including that of the petroleum industry. ^ePercentage. ^fBillions of barrels. ^gRevised figures. ^hIn years. Calculated by dividing total reserves by crude oil production in the corresponding year. ⁱBillions of cubic metres. ^jDollars per barrel. ^kBillions of bolívars. ^lAfter corresponding tax payments.

Table 5

VENEZUELA: INDICATORS OF AGRICULTURAL PRODUCTION

	1975	1980	1984	1985	1986	1987 ^a	Growth rates				
							1983	1984	1985	1986	1987 ^a
Index of agricultural production^b	89.3	100.0	102.9	109.8	119.0	123.9	-0.3	4.2	6.8	8.3	4.1
Crop farming	88.9	100.0	94.2	105.8	119.1	125.2	-3.0	1.2	12.3	12.6	5.1
Stock raising	82.7	100.0	111.7	114.4	117.4	118.4	2.8	3.6	2.4	2.6	0.9
Forestry	212.8	100.0	87.2	93.7	127.0	166.1	-2.6	43.8	7.5	35.5	30.8
Fisheries	79.8	100.0	104.7	134.3	154.5	171.0	-1.7	-11.8	28.3	15.0	10.7
Production of the main crops^c											
For export											
Cocoa	20	15	11	11	12	13	5.3	-24.3	2.8	10.1	5.0
Coffee	65	58	61	64	66	70	1.4	3.6	5.7	2.8	6.0
For domestic consumption											
Cereals	1 087	1 547	1 428	1 822	2 251	2 418	-12.5	9.6	23.5	23.5	7.4
Pulse	42	39	30	44	47	49	0.7	-18.4	50.7	6.6	4.1
Fibres and oilseeds	343	280	258	299	325	324	9.7	-3.4	16.0	8.7	-0.3
Root crops and tubers	561	602	668	610	618	650	5.4	2.0	-8.8	1.4	5.2
Fruit	1 803	2 034	2 168	2 221	2 252	2 295	1.9	1.8	1.9	1.4	1.9
Vegetables	231	365	331	313	335	334	-4.0	-3.9	-5.3	6.9	-0.2
Other	5 583	5 041	4 816	5 744	7 392	8 078	-10.3	-1.2	19.3	28.7	9.3
Indicators of stock-raising production											
Slaughtering ^d											
Cattle ^e	1 382	1 663	1 677	1 719	1 759	1 743	0.5	-2.8	2.5	2.3	-0.9
Pigs ^e	1 253	1 776	2 212	2 252	2 392	2 510	2.4	15.9	1.8	6.2	5.0
Sheep	79	125	122	127	129	132	16.0	13.3	4.0	1.7	2.2
Poultry ^f	110	159	209	204	214	226	-12.5	13.9	-2.1	4.5	5.7
Other products											
Milk ^g	1 187	1 311	1 452	1 532	1 580	1 595	2.7	-0.9	5.5	3.1	1.0
Eggs, for consumption ^h	1 604	2 034	2 146	2 245	2 139	2 270	-7.5	-4.7	4.6	-4.7	6.1
Volume of fishery products	153	177	264	285	314	324	7.9	14.6	8.0	6.9	6.3

Source: ECLAC, on the basis of statistics provided by the Ministry of Agriculture and the Central Bank of Venezuela.

^aPreliminary figures. ^bIndex at constant prices, 1980 = 100. ^cThousands of tons. ^dThousands of head. ^eIncludes changes in number of livestock. ^fMillions of head. ^gMillions of litres. ^hMillions of units.

Table 6

VENEZUELA: INDICATORS OF MINING PRODUCTION

	1975	1980	1984	1985	1986	1987 ^a	Growth rates				
							1983	1984	1985	1986	1987 ^a
Indexes of mining production^b (1980 = 100)	129.3	100.0	78.2	92.3	109.5	118.5	-16.6	15.6	11.5	18.6	8.2
Production of some important minerals											
Iron ore ^c											
Production	24.8	16.0	13.1	14.5	16.3	17.0	-19.1	39.4	10.7	12.5	4.7
Exports	19.4	11.7	7.9	9.0	10.0	11.7	-5.3	26.2	14.1	11.0	16.7
Coal ^d	60	39	51	41	57	62	-15.7	29.8	-18.7	36.9	9.0
Gold ^e	570	430	1 741	2 158	2 494	3 861	20.2	60.6	24.0	15.6	54.8
Diamonds ^f	1 060	666	273	215	212	99	-35.9	-2.2	-21.2	-1.7	-53.5

Source: ECLAC, on the basis of statistics provided by the Ministry of Energy and Mines and the Central Bank of Venezuela.

^aPreliminary figures. ^bValue of the sector's production at 1984 prices. ^cMillions of tons. ^dThousands of tons. ^eKilogrammes ^fThousands of metric carats.

Table 7

VENEZUELA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
Index of manufacturing production^b	100.0	99.5	99.9	107.5	106.7	-6.5	4.5	0.4	7.7	-0.8
Food, beverages and tobacco	100.0	108.2	105.8	106.7	108.1	2.3	2.0	-2.3	0.9	1.3
Textiles, clothing and leather goods	100.0	110.7	110.2	117.0	115.7	0.7	15.8	-0.5	6.2	-1.1
Wood and furniture	100.0	69.9	69.5	79.6	73.8	-7.9	-4.2	-0.6	14.6	-7.3
Paper, printing and publishing	100.0	134.1	126.5	139.2	148.1	2.6	15.4	-5.7	10.0	6.4
Chemicals	100.0	94.1	103.0	108.8	121.8	-4.4	13.8	9.5	5.6	11.9
Non-metallic mineral products	100.0	101.4	111.0	130.7	124.8	-13.8	10.4	9.5	17.8	-4.5
Basic metal industries	100.0	68.1	58.7	76.5	80.7	-37.2	-12.9	-13.9	30.3	5.5
Metal products, machinery and equipment	100.0	85.9	87.3	102.4	91.1	-15.8	4.0	1.7	17.3	-11.1
Other manufacturing industries	100.0	79.8	70.7	73.5	52.9	-24.7	-2.4	-11.5	4.0	-28.0
Output of some industrial products^c										
Public enterprises:										
Iron	...	13 053	14 737	16 851	17 111	...	21.9	12.9	14.3	1.5
Steel	1 784	2 523	2 785	3 402	3 307 ^d	7.8	19.5	10.4	22.2	16.6
Aluminium	156	385	405	428	442 ^e	21.6	14.9	5.2	5.7	23.9
Ammonia	439	572	490	655	...	-13.8	23.8	-14.2	33.5	...
Sulphuric acid	114	158	156	179	...	23.1	13.4	-1.1	14.5	...
Urea	276	460	315	542	...	4.8	18.1	-31.6	72.1	...
Fertilizers	441	759	649	904	1 016	...	26.3	-14.5	39.3	12.4
Private sector:										
Sugar	323	389	457	538	588	-4.4	11.8	17.5	18.6	32.8
Cement ^f	4 842	4 783	5 121	5 875	...	-18.4	8.0	7.1	14.7	...
Vehicle tyres ^g	3 483	2 985	4 518	5 017	5 447	-5.7	-11.8	51.3	11.1	8.6
Passenger vehicles ^h	155	110	116	133	...	-27.7	-1.8	5.5	14.7	...
Employmentⁱ	752	743	790	878	978	-5.4	2.2	6.3	11.1	11.4

Source: ECLAC, on the basis of statistics provided by the Central Bank of Venezuela and various industrial enterprises.

^aPreliminary figures. January to September and percentage variation with respect to same period the previous year.^bExcludes public enterprises. Value of production, deflated by the corresponding producer price index. Index, 1980 = 100.^cThousands of tons.^dJanuary to October.^eJanuary to August.^fBillions of sacks.^gThousands of units.^hThousands of persons.

Table 8

VENEZUELA: INDICATORS OF CONSTRUCTION ACTIVITY

	1980	1984	1985	1986	1987 ^e	Growth rates				
						1983	1984	1985	1986	1987 ^e
Index of sectoral production ^b (1980 = 100)	100.0	51.0	51.8	56.9	59.3	-13.3	-34.4	1.6	9.8	4.3
Housing construction										
Total area ^f										
Private sector	4 662	2 167	1 896	2 771	2 881	-49.3	-8.2	-12.5	46.2	4.0
Number of dwellings ^d										
Total	77.1	43.8	46.1	106.8	104.4	-34.1	-30.6	5.2	131.7	-2.2
Public sector ^f	40.0	19.3	24.5	91.7	86.4	-38.0	-36.0	27.5	273.6	-5.8
Private sector	37.1	24.6	21.6	15.2	18.0	-30.1	-25.7	-12.3	-16.1	18.4
Indicators of activity										
Production of steel for construction ^f	100.0	111.8	106.0	117.4	133.3	...	11.8	-5.3	10.8	13.6
Production of cement ^f	100.0	81.2	96.0	109.2	112.3	...	-18.8	18.2	13.8	2.8
Domestic sales of hardware and building materials ^g	100.0	76.9	55.2	75.9	99.7	6.4	-9.1	-28.2	37.5	46.0
Loans granted ^h	12 148	14 894	13 865	16 028	15 366	-13.1	2.3	-6.9	15.6	-4.1
Employment ⁱ	434	343	350	420	470	-16.4	-11.7	2.0	19.8	12.1

Source: ECLAC, on the basis of statistics provided by the Ministry of Energy and Mines and the Central Bank of Venezuela.

^aPreliminary figures. ^bValue of sectoral production at 1984 prices. ^cHousing construction permits granted. Thousands of square metres. ^dThousands of units. ^eIn addition to dwellings, includes self-help building plots for gradual urban improvement. ^fIndex, 1980 = 100. ^gIn the Caracas metropolitan area. Index in real terms, 1980 = 100. For 1987, January to September average. ^hLoans to purchasers and builders. Millions of bolívares. ⁱThousands of persons.

Table 9

VENEZUELA: INDICATORS OF SERVICE ACTIVITIES

	1980	1984	1985	1986	1987 ^a	Growth rates			
						1984	1985	1986	1987 ^a
Electric power									
Installed capacity ^b	7.7	11.6	14.7	18.0	18.3	18.3	26.3	22.4	1.7
Generation ^c	32.4	39.6	43.0	46.1	51.9	3.4	8.4	7.4	12.4
Total consumption ^c	27.7	33.2	35.9	37.0	38.4	6.0	8.0	3.2	3.7
Transport									
Freight moved ^d									
By air	113	50	52	59	57	19.3	5.9	12.2	-3.5
By sea	7 900	7 414	7 912	6 583	7 268	20.7	6.7	-16.8	10.4
Commerce									
Index of commercial sales ^e	100.0	93.0	97.1	107.3	99.8	-5.3	4.4	10.5	-4.3
Tourism^f									
Visitors	430	233	269	527	615	16.6	15.2	96.2	16.6
Employment^g									
Total services	2 704	2 983	3 069	3 199	3 372	-0.3	2.9	4.2	5.4
Commerce ^h	1 062	1 177	1 260	1 346	1 406	1.0	7.1	6.9	4.4
Public administration ⁱ	...	339	329	349	...	5.3	-3.1	6.2	...
Personal services	308 ^j	393	440	449	...	18.3	12.0	1.8	...

Source: ECLAC, on the basis of information provided by the Central Statistics and Information Office (OCEI), the Central Bank of Venezuela and the statistical annex to the President's message to Congress, 1988.

^a Preliminary figures. ^b Millions of kWh. ^c Billions of kWh. ^d Thousands of tons. ^e In the Caracas metropolitan area. Index in real terms, 1980 = 100. For 1987, January to October average. ^f Number of visitors who entered the country. Includes excursionists and in-transit passengers. Thousands of persons. ^g Thousands of persons. ^h Includes financial activities. ⁱ Second half of each year. ^j First half.

Table 10

VENEZUELA: EMPLOYMENT AND UNEMPLOYMENT

	1983	1984	1985	1986	1987 ^a	Percentage breakdown		Growth rates		
						1980	1987 ^a	1985	1986	1987 ^a
Labour force (thousands of persons)	5 486	5 673	5 873	6 064	6 268			3.5	3.3	3.4
Net participation rate^b (percentage)	54.2	55.8	56.0	56.1	56.2					
Thousands of persons										
Employment	4 934	4 938	5 106	5 396	5 694	100.0	100.0	3.4	5.7	5.5
Primary sector	820	865	895	898	872	16.2	15.3	3.5	0.4	-3.0
Agricultural activities	748	791	826	837	814	14.7	14.3	4.5	1.3	-2.7
Hydrocarbons, mines and quarries	72	74	69	62	58	1.5	1.0	-7.0	-10.6	-6.6
Secondary sector	1 184	1 153	1 204	1 354	1 512	26.7	26.6	4.4	12.4	11.7
Manufacturing	727	743	790	878	978	16.2	17.2	6.3	11.1	11.4
Construction	389	343	350	420	470	9.3	8.3	2.0	19.8	12.1
Electricity, gas, water and sanitary services	68	66	63	56	64	1.2	1.1	-4.4	-11.5	13.5
Tertiary sector	2 924	2 917	3 006	3 143	3 308	57.0	58.1	3.0	4.6	5.3
Commerce ^c	1 165	1 177	1 260	1 346	1 406	22.9	24.7	7.1	6.9	4.4
Transport, storage and communications	370	346	338	339	357	7.4	6.3	-2.2	0.1	5.4
Other services	1 388	1 394	1 408	1 458	1 546	26.7	27.1	1.0	3.6	6.0
Percentages										
Open unemployment										
Nationwide total	10.0	12.9	13.1	11.0	9.1					
Previously employed	8.5	11.0	11.5	9.7	8.0					
Seeking work for the first time	1.5	1.9	1.6	1.3	1.1					
Rural areas	5.7	7.6	8.0	6.4	5.9					
Urban areas	10.5	14.3	14.3	12.1	9.9					
Caracas metropolitan area	10.5	11.3	11.8	9.6	7.9					
Unemployment by economic sector										
Manufacturing	8.6	11.0	11.5	9.7	8.0					
Construction	11.8	13.1	13.2	10.9	8.0					
Commerce^c	21.4	29.4	30.2	23.3	19.5					
Other services	7.9	10.4	10.7	9.1	7.6					
Other services	5.5	7.7	8.8	7.0	5.2					

Source: ECLAC, on the basis of data obtained from household surveys conducted by the Central Statistics and Information Office (OCEI).

^a Preliminary figures.

^b Labour force as a percentage of the population aged 15 years and over.

^c Includes financial institutions.

Table 11

VENEZUELA: EXCHANGE RATES

Annual and quarterly averages	Nominal exchange rates			Indexes of real effective exchange rates ^b	
	Average ^a	Commercial	Free	Exports	Imports
1970-1979	4.29	4.29	4.29	114.8	109.5
1980	4.29	4.29	4.29	100.0	100.0
1981	4.29	4.29	4.29	91.2	91.3
1982	4.29	4.29	4.29	84.8	84.2
1983	5.05	5.72	10.59	92.5	91.6
1984	6.46	7.38	13.51	101.4	100.8
1985	7.05	7.50	13.97	91.9	91.3
1986	8.79	7.82	20.26	107.3	107.0
1987 ^c	14.02	14.50	27.86	134.3	133.6
1985					
I	6.93	7.50	13.28	92.7	92.1
II	6.99	7.50	13.36	91.2	90.7
III	7.11	7.50	14.39	91.9	91.2
IV	7.17	7.50	14.85	91.7	91.3
1986					
I	8.11	7.50	18.41	102.4	102.2
II	8.20	7.50	18.98	101.4	101.1
III	8.45	7.50	20.00	103.6	103.5
IV	10.48	8.78	23.65	121.6	121.1
1987					
I	13.21	14.50	23.07	144.3	143.3
II	14.13	14.50	27.03	139.1	143.3
III	14.38	14.50	30.70	128.2	127.5
IV	14.37	14.50	30.62	125.5	125.3

Source: ECLAC, on the basis of data provided by the International Monetary Fund.

^aAs from February 1983, the average exchange rate corresponds to the exchange rate weighted on the basis of the foreign exchange movements recorded by the Central Bank of Venezuela. ^bCorrespond to the average of the indexes relating to the real exchange rate for the bolivar with respect to the currencies of Venezuela's main trading partners, weighted according to the relative magnitude of exports to or imports from these countries, as appropriate. From 1970 to 1980 the weightings correspond to the average for the period 1975-1979; from 1981 onwards, they correspond to the average for the period 1982-1985. These calculations were made primarily on the basis of wholesale price indexes; in the case of Venezuela, the "domestic products" sub-index within this index was used. For information on the methodology and sources used, see the technical appendix to the *Economic Survey of Latin America*, 1981. ^cPreliminary figures.

Table 12

VENEZUELA: MAIN FOREIGN TRADE INDICATORS

	1981	1982	1983	1984	1985	1986	1987 ^a
Growth rates							
Exports of good (FOB)							
Value	4.8	-18.2	-10.8	9.6	-11.2	-39.0	22.2
Volume	-1.3	-13.6	-1.5	5.4	-8.2	2.4	-5.4
Unit value	6.2	-5.3	-9.4	4.0	-3.3	-40.4	29.1
Imports of goods (FOB)							
Value	11.5	12.0	-52.8	13.3	1.7	6.0	12.7
Volume	8.3	8.9	-43.3	22.2	3.2	7.1	8.5
Unit value	2.9	2.9	-16.8	-7.3	-1.5	-0.9	3.9
Terms of trade (goods)	2.7	-8.1	6.9	11.2	-7.5	-39.8	24.2
Indexes (1980 = 100)							
Terms of trade (goods) (FOB/CIF)	102.7	94.4	100.9	112.2	103.8	62.5	77.5
Purchasing power of exports of goods ^b	101.3	80.4	84.7	99.3	88.7	54.6	64.2
Purchasing power of exports of goods and services ^b	100.0	80.5	82.6	92.5	84.2	54.3	62.5
Indexes of volume							
Exports of goods	98.7	85.2	84.0	88.5	85.4	87.5	82.8
Imports of goods	108.3	117.9	66.9	81.8	84.4	90.4	98.1

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bVolume of exports of goods or of goods and services, as appropriate, adjusted by the corresponding term-of-trade index.

Table 13

VENEZUELA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates			
	1984	1985	1986	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^b
Total	7 007	7 304	7 667	5 998	100.0	100.0	21.1	4.2	5.0	5.3
Consumer goods	1 468	1 508	1 206	899	23.8	15.0	13.8	2.7	-20.0	1.5
Food and beverages	654	534	249	246	8.2	4.1	16.8	-18.3	-53.4	33.0
Other consumer goods	814	974	957	653	15.6	10.9	11.5	19.7	-1.7	-6.8
Durables	277	419	451	295	7.8	4.9	-3.1	51.3	7.6	-11.7
Non-durables	537	555	506	358	7.8	6.0	20.9	3.4	-8.8	-2.5
Raw materials and intermediate goods	3 119	2 896	2 769	2 544	34.5	42.4	31.7	-7.1	-4.4	24.2
Raw materials	2 771	2 535	2 388	2 240	28.4	37.3	40.7	-8.5	-5.8	25.5
For industry	2 541	2 298	2 112	1 953	26.3	32.6	40.5	-9.6	-8.1	25.6
For agriculture	230	237	276	287	2.7	4.8	27.1	3.0	16.5	24.8
Fuels and lubricants	181	198	171	91	1.6	1.5	19.1	9.4	-13.6	-21.6
Building materials	167	163	210	213	4.5	3.6	-32.1	-2.4	28.8	43.9
Capital goods	2 420	2 900	3 691	2 554	41.4	42.6	13.7	19.8	27.3	-7.4
Machinery and tools	1 474	1 927	2 329	1 697	26.7	28.3	17.1	30.7	20.9	-3.9
Transport equipment	946	973	1 362	857	14.6	14.3	8.9	2.9	40.0	-13.6

Source: ECLAC, on the basis of data provided by the Central Statistics and Information Office (OCEI).

^aJanuary-September.^bJanuary-September in comparison to the same period of the preceding year.

Table 14

VENEZUELA: EXPORTS OF GOODS, FOB

	Millions of dollars	Percentage breakdown		Growth rates			
	1987 ^a	1980	1987 ^a	1984	1985	1986	1987 ^a
Total	10 567	100.0	100.0	9.9	-9.6	-37.3	15.8
Main traditional exports^b	9 213	95.9	87.2	6.9	-12.1	-41.2	18.5
Petroleum	9 054	94.9	85.7	6.8	-12.4	-41.9	19.3
Iron ore	118	0.8	1.1	1.3	33.3	0.9	8.3
Main non-traditional exports	1 354	4.1	12.8	83.5	26.1	1.2	0.6
Public sector	821	2.7	7.8	2.4	31.7	-9.3	16.6
Aluminium	523	2.1	5.0	56.1	38.1	-16.2	22.2
Steel	196	0.6	1.9	13.6	43.3	-7.3	10.1
Other	102	-	1.0	-61.4	-14.1	34.2	4.1
Private sector	533	1.4	5.0	...	18.9	15.9	-17.0
Agricultural products	47	0.3	0.5	...	46.2	-8.1	-62.4
Cement	27	...	0.3	...	4.1	-25.5	-28.9
Other	459	...	4.3	...	13.3	30.5	-4.2

Source: ECLAC, on the basis of official figures.

^aPreliminary figures.^bIncludes coffee and cocoa, in addition to petroleum and iron ore.

Table 15

VENEZUELA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987 ^a
Balance on current account	4 749	4 026	-4 222	4 451	5 447	3 112	-1 990	-1 103
Trade balance	4 839	3 835	-2 077	6 745	6 910	5 397	-374	399
Exports of goods and services	19 968	20 938	17 557	15 825	16 806	15 004	9 527	11 279
Goods, FOB	19 050	19 963	16 332	14 570	15 967	14 178	8 649	10 567
Real services ^b	918	975	1 225	1 254	838	825	879	712
Transport and insurance	513	595	664	673	438	282	278	386
Travel	243	187	309	310	358	416	443	309
Imports of goods and services	15 129	17 104	19 634	9 080	9 896	9 607	9 902	10 880
Goods, FOB	10 877	12 123	13 584	6 409	7 262	7 388	7 834	8 832
Real services ^b	4 252	4 980	6 050	2 671	2 634	2 219	2 066	2 048
Transport and insurance	1 449	1 567	1 524	930	1 154	1 066	919	1 170
Travel	1 999	2 372	2 925	1 073	1 063	597	543	358
Factor services	328	574	-1 530	-2 107	-1 354	-2 182	-1 544	-1 374
Profits	-321	-350	-401	-188	-155	-157	-109	-111
Interest received	2 263	3 581	2 565	1 500	2 173	1 890	1 672	1 411
Interest paid	-1 613	-2 657	-3 694	-3 425	-3 370	-3 922	-3 107	-2 674
Other	-	-	-	6	-2	8	-	-
Unrequited private transfers	-418	-383	-615	-187	-108	-102	-72	-128
Balance on capital account	-985	-4 047	-3 944	-4 116	-3 858	-1 402	-1 969	225
Unrequited official transfers	-21	-26	-24	-24	-29	-26	-21	-22
Long-term capital	2 060	810	3 155	239	-1 022	-692	-1 387	-1 481
Direct investment (net)	55	184	253	86	42	106	16	21
Portfolio investment	1 311	83	1 582	201	-128	-	-	-
Other long-term capital	695	544	1 320	-47	-936	-798	-1 403	-1 502
Official sector ^c	-290	-262	1 317	332	-927	-805	-1 190	-700
Loans received	787	781	2 741	1 259	398	-	-	658
Amortization payments	-855	-891	-1 492	-827	-1 322	-784	-1 147	-1 358
Commercial banks ^c	220	555	-	-	-	-	-	-
Loans received	-	-	-	-	-	-	-	-
Amortization payments	-	-	-	-	-	-	-	-
Other sectors ^c	765	250	3	-379	-9	7	-214	-802
Loans received	1 942	1 615	1 284	505	28	53	48	23
Amortization payments	-1 007	-1 090	-1 068	-702	-269	-	-305	-825
Short-term capital (net)	-1 896	-2 692	-4 914	-4 338	-3 886	-756	-510	1 414
Official sector	103	33	-57	-17	24	23	68	131
Commercial banks	-27	35	916	-827	-408	80	-194	-
Other sectors	-1 972	-2 760	-5 773	-3 493	-3 501	-860	-385	1 283
Errors and omissions (net)	-1 128	-2 139	-2 161	7	1 077	63	-50	314
Global balance ^d	3 764	-21	-8 165	336	1 589	1 710	-3 958	-878
Total variation in reserves (- sign indicates an increase)	-4 184	-1 100	7 635	-283	-1 818	-1 747	2 908	934
Monetary gold	-	-	-	-	-	-	-	-
Special Drawing Rights	9	-101	5	87	-22	-121	-113	-148
IMF reserve position	-87	-14	-113	-166	106	-6	16	131
Foreign exchange assets	795	-1 446	1 695	-960	-1 392	-1 199	2 712	681
Other assets	-4 900	461	6 048	756	-509	-421	293	270
Use made of IMF credit	-	-	-	-	-	-	-	-

Source: 1980-1986: International Monetary Fund, *Balance of Payments Yearbook*, April 1988; 1987: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Includes other non-factor services.

^c Includes net loans granted and other assets and liabilities.

^d Equals the total variation in reserves (of opposite sign) plus counterpart items.

Table 16

VENEZUELA: NET INTERNATIONAL RESERVES

(Millions of dollars)

	Central Bank ^a				Venezuelan Investment Fund	Total official reserves
	Total	Foreign exchange	Gold	Others		
At the end of:						
1976	8 570	6 874	472	1 224	641	9 211
1977	8 145	6 506	475	1 164	916	9 061
1978	6 438	5 007	481	950	873	7 311
1979	7 740	6 398	484	858	729	8 469
1980	7 025	5 529	484	1 012	1 483	8 508
1981	8 619	6 957	484	1 178	2 452	11 071
1982	10 039	5 226	3 439	1 374	1 521	11 560
1983	11 149	6 307	3 439	1 403	689	11 838
1984	12 489	7 325	3 439	1 425	1 254	13 743
1985	13 750	8 845	3 439	1 466	1 748	15 498
1986	9 858	4 952	3 439	1 467	1 827	11 685
1987 ^b	9 376	4 482	3 439	1 455	1 375	10 751

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aIncludes that part of the reserves of the Venezuelan Investment Fund administered by the Central Bank.^bPreliminary figures.

Table 17

VENEZUELA: CENTRAL BANK FOREIGN EXCHANGE RECEIPTS AND OUTLAYS

(Millions of dollars)

	Receipts			Outlays					Balance	Central Bank reserve position ^d	Net international reserves ^d
	Petroleum	Other ^a	Total	Imports ^b	External debt		Other ^c	Total			
					Public	Private					
1980	12 641	6 625	19 266	10 877	2 125	1 007	6 062	20 071	-845	5 599	7 025
1981	18 961	6 148	25 109	12 123	2 284	1 463	9 414	25 584	1 525	7 035	8 619
1982	18 984	6 895	25 879	13 584	2 923	1 839	9 075	27 421	-1 542	5 226 ^f	10 039 ^f
1983	13 335	3 425	16 760	8 019	4 770	625	2 045	15 459	1 301	6 307	11 149
1984	14 212	3 069	17 281	7 664	5 218	382	2 707	15 971	1 310	7 605	12 489
1985	12 404	3 180	15 584	6 725	4 258	809	2 559	14 351	1 233	8 845	13 750
1986	7 625	2 927	10 552	5 951	3 996	1 087	3 481	14 515	-3 963	4 952	9 858
1987 ^f	8 984	3 957	12 941	6 308	3 367	1 481	2 462	13 618	-677	4 482	9 376
1986 ^f											
I	2 592	552	3 147	1 845	801	197	636	3 479	-332	...	13 443
II	1 796	638	2 434	1 364	1 003	456	470	3 293	-859	...	12 612
III	1 968	657	2 625	1 767	801	237	1 079	3 884	-1 259	...	11 367
IV	1 664	682	2 346	1 627	1 347	242	644	3 860	-1 514	4 952	9 858
1987 ^f											
I	2 033	442	2 475	1 141	814	320	584	2 859	-384	4 659	9 536
II	2 481	658	3 139	1 751	625	410	634	3 420	-281	4 412	9 270
III	2 561	1 104	3 665	1 513	735	407	811	3 466	199	4 612	9 469
IV	1 909	1 753	3 662	1 903	1 193	344	433	3 873	-211	4 482	9 376

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aIncludes receipts from the Venezuelan Investment Fund. ^bImports of goods and services. Includes foreign exchange expenditure by Petróleos de Venezuela, and agreements. Excludes imports at the free exchange rate. ^cIncludes Central Bank sales of foreign exchange on the free market.^dPosition at the end of the period, including adjustments for changes in exchange rate for Special Drawing Rights and reserve currencies with respect to the US dollar. ^eIncludes the effect of the centralization of the foreign-exchange assets of the petroleum industry. ^fPreliminary figures.

Table 18

VENEZUELA: INDICATORS OF EXTERNAL INDEBTEDNESS

	1975	1980	1983	1984	1985	1986	1987 ^a
Millions of dollars							
Total external debt	5 700	29 608	36 208	36 081	33 826	31 636	32 252
Public external debt	...	17 692	29 189	28 717	26 885	25 668	25 099
Private external debt	...	11 916	6 660	7 364	7 303	6 881	7 153
By term:							
Medium- and long-term	...	21 588	19 616	23 468	33 370	29 995	28 910
Short-term	...	8 020	7 019	7 364	6 941	5 968	7 153
Total external debt service	...	3 475	8 950	6 261	4 997	5 084	4 934
Principal	...	1 862	5 533	2 891	1 075	1 977	2 260
Interest ^b	...	1 613	3 417	3 370	3 922	3 107	2 674
External public debt service	295	2 126	5 257	5 151	4 249	3 952	2 069
Principal	240	1 171	2 308	2 378	1 009	1 345	1 358
Interest	55	955	2 949	2 773	3 240	2 607	2 117
Percentages							
Ratios:							
Total external debt/exports of goods and services	60.9	148.3	228.8	214.7	225.4	332.1	285.9
Service on debt/exports of goods and services	3.2	13.9	56.6	37.3	33.3	53.4	43.7
Net interest payments ^c /exports of goods and services	-7.3	-3.3	12.2	7.1	13.5	15.1	11.2

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela and international financial institutions.

^aPreliminary figures. ^bECLAC estimates based on the relevant balance-of-payments entries. ^cA minus sign indicates that the net balance between interest received and interest paid is positive.

Table 19

VENEZUELA: DOMESTIC PRICES

	1981	1982	1983	1984	1985	1986	1987 ^a
December-to-December variation							
Consumer price index^b	11.0	7.8	7.0	15.6	9.1	12.7	40.3
Food	12.9	6.9	10.6	31.1	19.1	17.9	60.5
Wholesale price index	17.4	6.2	10.7	23.8	12.9	18.8	48.1
By origin:							
Imported products	14.2	5.6	10.8	21.9	10.2	10.4	59.1
Domestic products	19.4	6.6	10.9	24.9	14.6	23.4	43.7
By sector:							
Agricultural products	13.9	3.2	20.0	20.2	24.7	32.0	49.9
Manufactures	10.1	6.2	8.9	24.0	9.8	13.0	48.0
Building materials	6.1	12.6	10.5	35.7	9.5	10.9	26.5
Variation between annual averages							
Consumer price index^a	16.0	9.7	6.3	12.2	11.4	11.6	28.1
Food	18.5	9.7	7.8	17.2	22.4	19.2	41.5
Wholesale price index	13.8	8.0	7.0	17.5	18.2	15.7	45.7
By origin:							
Imported products	11.9	7.3	6.0	17.8	15.3	9.2	66.2
Domestic products	15.0	8.6	7.5	17.3	19.9	19.4	37.9
By sector:							
Agricultural products	19.8	5.3	14.2	16.3	21.6	33.0	49.3
Manufactures	11.9	8.4	5.4	17.7	16.8	10.0	45.4
Building materials	10.9	12.8	4.1	29.4	19.3	9.3	28.5

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^a Preliminary figures. ^b Consumer price index for the Caracas metropolitan area.

Table 20

VENEZUELA: INCOME TRENDS

	1983	1984	1985	1986	1987 ^a	Growth rates				
						1983	1984	1985	1986	1987 ^a
In bolivares at current prices										
Minimum wage ^b										
Urban	900	900	1 375	1 500	2 010	-	-	52.8	-	33.0
Rural	750	825	1 200	1 200	1 500	-	10.0	45.5	-	25.0
Average income per employed person ^c										
Urban	2 702	2 889	2 901	3 283	3 641	4.9	6.9	0.4	13.2	12.8
Rural	1 476	1 508 ^d	1 512	1 641	2 034	-1.5	2.4	0.9	8.5	28.2
In bolivares at 1980 prices ^e										
Minimum wage ^b										
Urban	639	556	723	675	680	-6.6	-13.0	30.0	-6.6	0.8
Rural	533	510	631	540	508	-6.6	-4.3	23.7	-14.4	-6.0
Average income per employed person ^c										
Urban	2 029	1 927	1 737	1 762	1 679 ^d	-1.6	-5.0	-9.9	1.4	-12.0
Rural	1 108	1 060 ^d	905	881	938 ^d	-7.6	-6.2	-12.6	-2.7	-

Source: ECLAC, on the basis of figures provided by OCEI, the Central Bank of Venezuela and the Ministry of Labour.

^aPreliminary figures. ^bMonthly wages, annual averages. ^cMonthly income, annual averages. ^dFirst half. ^eDeflated, in the case of the minimum wage, by the consumer price index for the Caracas metropolitan area corresponding to the quartile of households with the lowest income, and in the case of other wages, by the general consumer price index for the Caracas metropolitan area.

Table 21

VENEZUELA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of bolívares				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
1. Current income	99.2	107.8	101.0	150.6	38.2	8.7	-6.4	49.2
Oil revenue	60.6	62.1	42.9	66.4	49.3	2.6	-30.9	54.6
Income tax ^b	51.5	53.3	32.5	47.7	50.9	3.7	-39.1	46.9
Royalties	9.1	8.8	10.4	18.7	40.6	-3.4	19.0	78.7
Other tax revenue	32.2	34.3	46.0	69.4	24.0	6.5	34.1	51.9
Direct	10.3	12.8	14.3	23.3	18.3	23.6	14.7	62.5
Indirect	21.9	21.6	31.4	46.2	26.9	-1.6	45.6	47.1
Customs	2.8	4.0	5.0	9.8	11.5	43.0	25.2	95.0
Exchange profits	14.3	11.1	16.7	24.7	42.0	-22.5	50.1	48.4
Other	4.8	6.5	9.7	11.7	2.7	34.8	50.5	20.2
Other non-tax income	6.4	11.4	12.3	15.0	22.4	77.0	4.9	20.0
2. Current expenditure	68.8	73.8	72.2	113.7	27.3	7.2	2.1	57.4
Remunerations	20.4	20.2	24.2	36.6	5.3	-0.9	20.0	50.9
Interest payments	10.8	12.0	12.7	24.6	58.2	10.6	6.0	93.4
On external debt	7.5	7.9	7.1	16.9	89.7	5.3	-10.6	139.6
On domestic debt	3.3	4.0	5.6	7.6	15.3	22.5	37.0	35.6
Current transfers	32.8	37.3	30.3	45.5	35.3	13.9	-18.8	50.1
Other current expenditure	4.8	4.3	5.0	7.1	33.6	-10.4	17.2	41.9
3. Current savings (1-2)	30.4	34.1	28.7	36.9	81.3	12.1	-15.8	28.5
4. Capital expenditure	19.5	24.4	31.1	37.7	-4.6	25.3	27.5	21.3
Real investment	4.0	3.6	9.5	13.4	-12.8	-10.7	163.6	41.3
Other capital expenditure	15.4	20.8	21.6	24.3	-22.9	30.7	3.8	12.5
5. Total expenditure (2 + 4)	88.3	98.1	103.3	151.4	18.6	11.2	5.3	46.5
6. Fiscal deficit (or surplus) (1-5)	10.9	9.7	-2.3	-0.8				
Financing of deficit (or use of surplus)	-10.9	-9.7	2.3	0.8				
Domestic	-4.8	-4.6	9.5	7.6				
Central Bank	-	6.0	-	17.6 ^c				
Sales of securities	3.6	4.1	14.3	15.1				
Amortization	-4.1	-4.9	-7.5	-11.0				
Variation in reserves (- sign means an increase)	-3.1	-7.5	-1.8	-9.9				
Other ^d	-1.2	-2.3	4.5	-4.2				
External	-6.1	-5.1	-7.2	-6.8				
Disbursements	-	-	-	0.4				
Amortization	-6.1	-5.1	-7.2	-7.2				

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aPreliminary figures. ^bIncludes technology tax. ^cIncludes 10 million bolívares from the sale of FOCOCAM.^dIncludes agricultural debt, administrative debt, variations in the Amortization Fund, sale of assets and other sources of domestic financing.

Table 22

VENEZUELA: CENTRAL GOVERNMENT ADMINISTRATION RATIOS

	1970	1975	1980	1983	1984	1985	1986	1987 ^a
Oil revenue/current income	60.1	77.4	72.3	56.5	61.0	57.6	42.5	44.1
Customs revenue/indirect tax revenue	41.9	35.3	53.2	14.6	12.8	18.6	16.0	21.2
Interest payments/current expenditure	2.3	1.6	10.4	11.3	14.7	14.5	17.6	21.6
Current savings/capital expenditure	79.0	104.2	97.7	71.7	156.3	139.9	92.4	97.9
Fiscal deficit (or surplus)/total expenditure	6.1	2.2 ^b	0.8	8.1	12.3 ^b	9.9 ^b	2.2	0.5
Oil revenues/GDP	11.0	26.8	17.8	14.0	14.8	13.4	8.7	9.2
Total expenditure/GDP	19.4	33.9	24.9	26.9	21.6	21.1	20.9	21.0
Fiscal deficit (or surplus)/GDP	1.2	0.7 ^b	0.2	2.2	2.7 ^b	2.1 ^b	0.5	0.1

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aPreliminary figures. ^bFiscal surplus.

Table 23

VENEZUELA: CONSOLIDATED PUBLIC SECTOR INCOME AND EXPENDITURE

	Billions of bolívars				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Total income	138.1	147.0	139.3	200.3	55.3	6.5	-5.4	43.7
Current income		134.0	126.3	185.3			-5.7	46.7
Capital income		13.0	13.0	15.3			0.3	17.3
Total expenditure	111.7	133.6	146.7	201.4	9.7	19.6	14.0	37.3
Current expenditure	74.1	83.9	79.3	117.4	32.5	13.2	-5.5	48.1
Consumption	28.0	30.5	25.0	41.7	6.6	8.9	-18.0	66.8
Transfers	29.7	36.9	31.6	45.4	-7.7	24.3	-11.6	43.5
Interest	16.4	16.5	22.7	30.3	58.0	0.8	28.2	33.2
Capital expenditure	37.6	49.7	67.5	84.1	-17.9	29.3	35.9	24.5
Capital formation	28.7	35.3	49.1	59.7	15.8	22.9	39.0	21.5
Other capital expenditure	11.7	8.9	14.3	24.3	-24.0	61.2	28.1	32.5
Deficit (or surplus)	26.4	13.4	-7.4	-1.2				
As a percentage of GDP	...	2.9	1.5	0.2				
Financing of deficit (or use of surplus)	-26.4	-13.4	7.4	1.2				
Domestic	-10.0	-7.0	19.8	...				
External	-16.4	-6.4	-12.4	...				

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela and the Central Budget Office (OCEPRE).

^aPreliminary figures.

Table 24
VENEZUELA: MONETARY INDICATORS

	Year-end balances (billions of bolívares)				Growth rates			
	1984	1985	1986	1987 ^a	1984	1985	1986	1987 ^a
Monetary base	37.9	46.4	51.0	62.9	-3.6	22.4	10.1	23.2
Money (M ₁)	68.9	77.4	95.2	129.1	7.6	12.5	22.8	35.7
Quasi-money	108.5	115.4	129.8	150.5	9.6	6.4	12.5	16.0
Money plus quasi-money (M ₂)	177.3	192.8	224.9	279.6	8.8	8.7	16.6	24.3
Domestic credit	129.0	108.9	191.2	213.6 ^b	-5.6	-15.6	75.7	14.2 ^c
To the government	-51.1	-19.3	-46.1	-52.7 ^b	...	...	...	...
To private sector	177.9	127.0	237.5	266.4 ^b	12.6	-28.6	87.0	20.9 ^c
Inter-bank adjustment	2.2	1.2	-0.2	-0.2 ^b	...	...	...	...
Coefficients ^d								
Monetary multipliers								
M ₁ /Monetary base	1.82	1.67	1.86	2.05				
M ₂ /Monetary base	4.68	4.16	4.41	4.45				
Velocity of circulation: GDP/M ₁	5.94	5.35	5.19	5.57				

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aPreliminary figures. ^bAs at 30 November 1987. ^cTwelve-month variation at 30 November 1987. ^dAnnual averages.

Table 25
VENEZUELA: DOMESTIC INTEREST RATES^a

	1983	1984	1985	1986	1987 ^b	1987 ^c			
						I	II	III	IV
Nominal									
Short-term bank rates									
Deposits ^d	14.0	12.6	10.5	8.9	8.9	8.9	8.9	9.0	8.9
Loans ^e	16.3	14.9	13.7	12.7	12.6	12.6	12.6	12.6	12.6
Mortgage rates									
Deposits ^f	14.1	13.2	11.4	10.0	9.9	9.9	9.9	9.9	9.9
Loans ^g	17.0	14.6	14.2	13.4	12.5	12.6	12.6	12.4	12.4
Real ^h									
Short-term bank rates									
Deposits ^d	6.5	-2.6	1.3	-3.4	-22.4	-16.0	-29.3	-18.1	-22.5
Loans ^e	8.7	-0.6	4.2	-	-19.7	-13.1	-26.9	-15.4	-19.9
Mortgage rates									
Deposits ^f	6.7	-2.1	2.1	-2.4	-21.7	-15.2	-28.6	-17.4	-21.8
Loans ^g	9.3	-0.9	4.7	0.6	-19.8	-13.1	-26.9	-15.5	-20.1

Source: ECLAC, on the basis of data provided by the Central Bank of Venezuela.

^aAverage annual rates. ^bPreliminary figures. ^cAnnual rates, quarterly averages. Preliminary figures. ^dOn term deposits with commercial banks. ^eOn commercial bank loans and discounts. ^fOn saving certificates in denomination's of 5 000 bolívares or more and terms of 30 to 180 days in a mortgage bank. ^gLoans for housing purchases. ^hDeflated by the variation in the consumer price index for the Caracas metropolitan area.



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